

JPRS 79100

30 September 1981

China Report

ECONOMIC AFFAIRS

No. 175



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.


Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.



30 September 1981

CHINA REPORT

ECONOMIC AFFAIRS

No. 175

CONTENTS

PEOPLE'S REPUBLIC OF CHINA

NATIONAL POLICY AND ISSUES

- 'JINGJI YANJIU' on Budget Deficit, Inflation
(Dai Yuanchen; JINGJI YANJIU, 20 Aug 81) 1

- Recent Developments in PRC Computer Industry Outlined
(GUANGMING RIBAO, 2 Sep 81) 12

Beijing Computer Exhibition, by Zou Anshou
Applications Stressed

FINANCE AND BANKING

- Briefs
Jiangsu Finance Meeting 16
Revenue Increase in Yunnan 16

ENERGY

- Drive To Develop Methane for Cities Underway
(Mao Rongfang; GUANGMING RIBAO, 2 Aug 81) 17

- Development of Methane in Donghai, Jiangsu Relieves Fuel Shortages
(Yu Guan; GUANGMING RIBAO, 2 Aug 81) 19

- Taiyuan Getting Ready for Coal Gasification
(SHANXI RIBAO, 14 Jun 81) 21

INDUSTRY

- Shanghai's Industrial System Undergoes Major Changes
(WENHUI BAO, 3 Aug 81) 23

Business Management Reform in Wuhan (Wang Changxiao; HUBEI RIBAO, 1 Aug 81)	25
Above-Quota Piecework Bonuses Introduced in Shanghai (WENHUI BAO, 29 Jul 81)	27
Briefs	
Anhui Electronics Industry	28
Fujian Industrial Enterprise Meeting	28
Jiangsu Industrial Production	28
CONSTRUCTION	
Briefs	
Project Consulting Companies	29
DOMESTIC TRADE	
Brisk Rural Urban Markets Reported in Jiangsu (XINHUA RIBAO, 28 Jul, 4 Aug 81)	30
Rural Market Thriving, by Shen Gongxiao Statistics for 6 Months	
FOREIGN TRADE	
Nature of Special Economic Zones (Fang Zhoufen; JINGJI YANJIU, 20 Aug 81)	34
Briefs	
Exhibition Center	43
LABOR AND WAGES	
Experiments in Piecework Wages as Material Incentive (Yang Hanliang, Wang Yuzhang; XINHUA RIBAO, 22 Jul 81)	44
Briefs	
Jobs for Beijing Youths	46
Henan Youth Employment Work	46
Anhui Production Safety Meeting	46
Jilin Income Records	46
TRANSPORTATION	
Briefs	
Jiangsu Ocean Shipping	47
GENERAL	
UN Conference Adopts LDC Economic Program (XINHUA, 15 Sep 81)	48

Briefs

Zhejiang Antismuggling Patrols
Heilongjiang Smuggling Case

50
50

TAIWAN

Briefs

Taiwan's Economic Growth

51

NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON BUDGET DEFICIT, INFLATION

HK210318 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 81
pp 41-46

[Article by Dai Yuanchen [2071 0954 2525]: "The Socialist System Can Effectively Check Inflation"]

[Text] In 1979 and 1980, there were rather large deficits in our country's budget. As a result, despite the growth in our country's industrial and agricultural production and the rather big improvements made in market supplies, commodity prices went up by varying degrees; there was a definite increase in the volume of money in circulation; and inflation reappeared. In other words, simultaneously with the emergence of a stabilized economic situation, dangers were still lurking. At the end of 1980, the Central Committee of the Chinese Communist Party issued a call for a further readjustment of the national economy and further political stability. A series of positive measures were adopted for the purpose of balancing the budget as well as achieving balance in the receipt and outflow of credits and loans. Strenuous efforts were made to curtail inflation in order to achieve commodity prices stability and general economic stability. People speculate as to why inflation has occurred in our country and if there are any positive measures which can be taken to stop inflation. It is necessary to obtain a clear understanding of these matters.

Resorting to Inflation to Stimulate Economic Growth has Caused Capitalist Nations to Suffer From the "Stagflation" Disease of the Coexistence of Inflation and a Stagnant Economy

According to the prevalent Keynesian theories, a small dose of fiscal deficit plus a mild form of inflation will help in stimulating the growth of production, bringing about only minor side effects. Whether or not this view is rational must be determined from an examination of the experiences in Western countries which have utilized such Keynesian theories for a prolonged period of time.

A look at the current global situation reveals that inflation is definitely a general phenomenon sweeping through various Western nations and fiscal deficits are really commonplace occurrences. In the United States, over the 35 fiscal years after World War II from 1946 to 1980, 27 of them are found to have had budget deficits while only 8 of them had a budget surplus. The gross budgetary deficits over these years reached the colossal figure of some \$411.7 billion. In Britain, over the 28 years from 1951 through 1978, budgetary surpluses were

recorded in only 3 years, namely, 1962, 1969 and 1970, while the remaining 25 years had budgetary deficits. The net accumulated budgetary deficits reached the staggering total of 40.9 billion pounds. Likewise in Japan, in the 26 years from 1951 to 1976, only 5 of them had budget surpluses, while the remaining 21 fiscal years had fiscal deficits. The gross accumulated fiscal deficit reached a total net figure of \$66.5 billion. Nearly all the capitalist countries experienced deficits in their budgets, and inflation has been prevalent.

The experiences over more than 30 years in the Western world in carrying out the measures of having budgetary deficits and inflation have passed through two different stages of development.

Originally, the Keynesian theories were developed at a time when economic crises of a capitalist nature and threats of unemployment were frequent occurrences. Keynes admitted that the shortage of "effective demand" was a chronic and stubborn ailment of the capitalist system. Consequently, he urged the state's interference in the economic field by allowing the state to expand its financial receipts and disbursements and take up the burden of making direct investments in order to stimulate "effective demand" and to increase employment. The Keynesian theories do not, and cannot, basically solve the dilemma of overproduction and insufficient demand characteristic of capitalism but serve merely as a lifesaving tonic and as "the only way to avoid the total destruction of the current economic structure," to quote from his letter to Bernard Shaw. The Keynesian theories were first adopted at the time of American President Roosevelt's New Deal and in fascist Germany. After the World War II, they became generally popular and were considered as a good tonic for fighting an economic crisis and for stimulating economic growth. In the beginning, their adoption seemed to have produced good results and over a period of nearly 20 years a low inflation rate and a high speed of economic growth coexisted. In particular, at the time of President Kennedy's and President Johnson's administrations, fiscal deficits and inflation seemed to have worked miracles and the capitalist economy appeared to be perpetually prosperous. At the time, Hansen, an American economist, boasted in the following terms: "The financial policy of Keynesianism is not a one-sided inflationary policy which can 'cure' economic crises but also represents a comprehensive scheme which can 'iron out' the economic vacillations of capitalism, completely eradicate economic crises and eliminate business cycles." (Hansen: "Financial Policy and Business Cycles," cited in "Critical Comments on Financial Theories of the Capitalist Class," edited by the Research Office on Finance and Money, Economics Department of Xiamen University, Shanghai People's Publishing Press, p 130) Here, the claim that inflation could stimulate economic growth appeared to be a prevalent adage in an intoxicating "honeymoon" period.

Unfortunately, it did not take long for mild inflation to gradually evolve into inflation of a serious magnitude. By the 1970's, particularly with the eruption between 1974 and 1975 in the capitalist world of the most extensive and most serious postwar economic crisis, there came into being the "stagflation" situation of the coexistence of a high rate of inflation and low rate of economic growth. In the United States, between the years 1961 and 1970, the average yearly increase rate of the volume of money in circulation exceeded the gross value of domestic production by only 0.5 percent. Between the years 1965 and 1972, the volume of monetary supply (M2) increased yearly by 8.2 percent, but the rise in the prices

of consumer goods was only 4.3 percent. By the years 1974 to 1978, the average yearly increase in the gross value of domestic output was 2.3 percent but the average yearly increase in the volume of money supply was 6.8 percent and the average yearly increase in the prices of consumer goods was 7.3 percent. Over the last 2 years there has appeared a double-digit increase in inflation and in commodity prices. The same situation is found in other capitalist countries. In these countries, the speed of increase in the volume of money in circulation far exceeded the rate of increase in the gross value of domestic output: in Britain, it was 21 times; in West Germany, 4.9 times; in France, 3 times; and in Japan, despite the strenuous efforts made to keep the issuance of currency under control, it was still 2.5 times. Meanwhile, the rise in commodity prices was even faster. In the principal capitalist countries, between the years 1971 and 1978 the index showing the rise in the prices of consumer goods went up by 8.1 percent, but by 1979 and 1980, outside of Japan and West Germany, the rise in the price index reached a double-digit figure. This made the populace extremely dissatisfied. As a result, there appeared the tendency of giving preference to purchasing material goods rather than to saving currency. A mad scramble to make cash purchases of goods was made. Interest rates were high and investments in general were sizably reduced. All these contributed to intensifying the unstable development of the economies of the Western nations. As for the developing nations, the great majority of them suffered an inflationary rate in excess of 20 percent, some reaching even 50 percent, due to various reasons such as the comparatively backward state of their economies, their frail financial structure with their fiscal expenditures frequently exceeding their receipts, and the principal capitalist states passing on to them the bad effects of the rise in crude oil prices and of inflation. Their difficult situation was thus aggravated.

Hence, people nowadays no longer sing any songs in praise of inflation. Instead, they now frightfully call the inflation of the 1970's, like the economic crisis of the 1930's, "economic earthquakes," devastating prosperity and progress.

Capitalist economists and even economists of high repute have been frequently puzzled by this development. They have described it as a "money printing machine phenomenon," or a "habitual occurrence," or as lashing of the waves caused by the oil-exporting countries attempting to protect their interests by raising the price of crude oil, or as the impetus wrought by the workers struggling to maintain their standard of living and to obtain higher wages. Nevertheless, when an analysis is made on the basis of Marxism, it becomes clear that fiscal deficits and inflation cannot solve the inherent contradictions of capitalist economy and that, to the contrary, the economic development stimulated by it will only widen the disparity between production increase and insufficiency in consumption on the part of the broad masses of people. In an economy characterized by the private ownership of the means of production and a highly socialized type of production, fundamentally speaking they only serve to prepare the ground for the eruption of even more serious crises of overproduction which in turn necessitate even larger doses of fiscal deficits and inflation. As a result of this seemingly endless cycle, capitalist economy has contracted this disease of "stagflation."

At present, Western nations no longer initiatively invoke the policy of fiscal deficits and inflation. Instead, they are generally adopting a retrenchment policy calling for the strict control of currency flotation and for high interest

rates and have taken on the checking of inflation and the checking of the rise in commodity prices as the main tasks. However, seen from the standpoint of macro-economics, they are in a situation characterized by a relatively slow or stagnant growth of the economy, a high rate of inflation, rapidly rising commodity prices, and a high rate of unemployment, all of which are interwoven and coexist with each other and keep each other in check. At the same time, the danger of overproduction and the danger of an economic crisis are interwoven and permeate each other. Regarding finance, they must maintain huge defense outlays in order to seek hegemony and at the same time must maintain huge expenditures on social programs for the sake of easing the existing contradictions. Although there has been much blowing of the horn calling for budget reductions, yet in reality little leeway has been left for accomplishing this objective. Due to all these factors, the governments of the various capitalist countries, while announcing time and again their intention to curb inflation, have found themselves subjected to pressure from various quarters and forced to adopt various contradictory measures, unable to stick firmly to their decision to curtail the issuance of currencies. This was mainly due to the facts that different interest groups have entertained variant views concerning the economic objectives and the order of their priority, various estimates made of the economic effect of the policies adopted differed from one another, and views diverged on what measures or steps should be taken. Thus, the economic and social council of the United Nations, in its "1979-1980 World Economic Investigation Report," reluctantly admitted: "Neither the slowing down of the speed of economic development in 1980 nor the recovery of economic growth from 1981 to 1982 can engender a clear-cut downturn in the rate of inflation in countries with developed market economies."

The sustained development of inflation in the Western nations indicates that the volume of money in circulation will continually exceed the normal volume of money required for the reproduction process. This will bring about an incessant rise in commodity prices, lead to an incessant devaluation of currencies and thereby necessitate a redistribution of the national income and the wealth of the society, thus causing widespread damage to the interests of the workers, peasants and all consumers alike. Samuelson once said: "The rise in commodity prices is frequently accompanied by a high employment rate; hence controlled inflation is likened to the full lubrication of the wheels of industry." ("Economics," 9th edition, p 272) Praising inflation in such flattering terms is strictly of a "class" nature. To be sure, owners of enterprises will naturally find inflation a good thing but it may not be so to the broad masses of workers. The rise in commodity prices will lower their real standard of living and in order to maintain their real wages they will have to engage incessantly in struggles which may be likened to "continually building bridges across vanishing streams." At present, governments of Western nations have avowed their intention to fight against inflation. However, on account of various contradictions, it is really difficult to bring a halt to inflation.

Inflation Is Not Inherent In Our Socialist Economy But Caused by Our Errors in Work

The superior character of the socialist economic system of our country enables the state to organize in a planned manner the balance of fiscal receipts and expenditures. There does not exist the objective necessity, on account of fiscal deficits, to invoke inflation to stir up demand. As we all know, the cause for

the development of inflation in capitalist countries may be ascribed to the contradiction between private ownership and the socialization of production, and to the exploitation of labor by capital resulting in the insufficient power to purchase on the part of the broad masses of workers. This in turn results in the dilemma of production development caused by a relative demand shortage which necessitates the employment of a deficit policy to stimulate and engender effective demand and the resort to inflation to solve the dilemma of overproduction. On the other hand, in our country the ownership of the means of production and the socialization of production are not contradictory to each other. The distribution and redistribution of the national income are arranged and adjusted by the state according to plan. Based on the innate nature of our system, there cannot appear any relative insufficiency of effective demand, nor will there appear overproduction. There is no need for expanding effective demand by means of budget deficits, and we are entirely capable of bringing about, in a planned manner, the balancing of aggregate demand and aggregate supply. The sphere of the financial distribution and operation of our country is also different from that of capitalist countries. The reason capitalist countries carry out the policy of budgetary deficit and inflation is to interfere with and readjust the economy. On the other hand, our country's finance takes a direct part in the general distribution process. The state directly organizes economic activities. There is no need to resort to inflation to carry out readjustment. Hence, in our country there does not exist the objective certainty of the generation of fiscal deficits. In fact, we can entirely organize, according to plan, the balancing of financial receipts and disbursements and achieve a balance by means of increasing receipts and curtailing disbursements.

Historical records show that as early as the beginning of 1950 our country had already performed the miracles of eradicating fiscal deficits and curbing inflation. What old China bequeathed to us was a despicable legacy of vicious inflation of long standing under which commodity prices rose steeply several times a day and people could hardly make a living. In the early period after the liberation, the government could not find time to attend to the problems of budgetary deficit and inflation. Besides, from 1949 to 1950 when we emerged victorious in the people's national liberation war and following the expansion of the liberated areas, we had to attend to the daily needs of several millions of captured personnel and also to the relief of unemployed workers and the poor and distressed masses in the cities and villages. Accompanying this, the financial expenditure of the people's government increased greatly while financial receipts could not catch up with the spending needs. It was then necessary to issue more money. Speculative elements then took advantage of the situation to pursue their speculative activities. Between June 1949 and February 1950 there occurred four big upheavals in commodity prices. In 1949 commodity prices went up 19 times while in the first 3 months of 1950 commodity prices were again doubled compared with the end of 1949. At the time, the masses eagerly hoped that the government would stop the runaway inflation and stabilize commodity prices while the imperialist elements furiously predicted that although the newborn red regime could demonstrate its ability in the military and political fields, it could hardly overcome its economic and financial difficulties. At the time, the people of the country were imbued with the fearless spirit of continuing to live, and to live better than before, without seeking aid from the imperialists. Placing implicit reliance on the regime of the people's democratic dictatorship and on the socialist economy, in March 1950 they proceeded with the work of unifying the country's finance and economy. The country's fiscal receipts were

readjusted and consolidated. Fiscal expenditures were reduced to the minimum and a balanced budget was nearly achieved. Inflation was stopped. At the same time, all speculative elements bent on raising the commodity prices were sternly dealt with. Stability of commodity prices was attained. The government was thus accorded with the utmost esteem and support of the masses. All these laid the groundwork for the ultimate restoration and development of the national economy.

From the curbing of inflation during 1950 and up to the period of the first 5-year plan, the country continued to adopt the policy calling for a balanced budget which would also yield a small surplus. Subsequently, under the condition of rather large increases in fiscal outlays on account of the "war to aid Korea and resist America," we still followed the usual practice of increasing revenue receipts and reducing expenditures, to achieve the purpose of simultaneously resisting, stabilizing and building. By the time of the commencement of the economic construction period under the first 5-year plan, we had, on the one hand, to ensure and provide the necessary funds for economic development and, on the other, to strive for the maintenance of a balanced budget. Despite the appearance of sundry difficulties on the way, they were all readily overcome. Comrade Chen Yun had cautioned that planning targets must be realistic, that the scale of construction work must suit the nation's capability, that the people's livelihood and national construction must both be cared for and that when making plans due provision must be made for the availability of material resources, funds, credits and loans. It appeared that the experiences gained from practice during this period exactly accorded with Comrade Chen's words. During this period, the economic development was rather rapid, the economic effect was relatively good, the market was prosperous, monetary circulation was normal, and there was assurance of the stability of commodity prices and improvement of the people's standard of living. Facts have thus shown that under our socialist system there does not exist the objective necessity of a budget deficit and of inflation of the demand-invoking nature. This precisely illustrates the superiority of the socialist economic system over the capitalist economic system.

Regrettably, after 1958, under the influence of the desire to achieve quick results, the positive role of subjective activity was over-emphasized and in the course of the "great leap forward" and the movement to set up rural people's communes, there came into force high targets, blind commands and a proneness to boasting and exaggeration. There also blew the so-called vicious "communist wind." The scale of capital construction was made unduly large, its battlefront was much too long and capital construction outlays made up some 56 percent of total budgetary outlays. On the surface, fiscal receipts appeared to have increased quickly, but in reality, at that time much "blind" production work was in progress and purchases were made blindly of large quantities of substandard products and products that had been stockpiled. The enterprises made use of bank loans to pay taxes and earn profits and in this way the inflation of bank credit actually worked its way to become false financial receipts. Financially, a balanced budget was never reached and in reality there were debits in the government accounts. As a result, there was a large issuance of currency. In 1957, the proportion of currency in circulation to the volume in sales of consumer goods was 1:9.5. By 1961, the ratio had gone down sharply. Due to the stringent supply of consumer goods, market commodity prices and particularly prices in country fair trade went up steeply, with the result that large numbers of urban and rural residents withdrew their bank deposits

to make immediate purchases of goods. From this historical experience, we may find that the display of the superiority of the socialist economic system actually depends on people's actions being in compliance with the objective laws. Otherwise it is possible that errors in work will bring about fiscal deficits and inflation of the demand-invoking type.

Generally speaking, the fiscal deficits and inflation over the past 2 years in our country were brought about by certain problems in our work. These problems are of a long-standing nature and may be ascribed to three different reasons. First, the desire for quick results and failure to act according to one's capability were the ideological causes which brought about financial deficits. Under the guidance of "leftist" thought over many years and paying little or no attention to our country's basic national condition and national power, we have allowed the capital construction front to become unduly stretched and the projects excessively large. In order to maintain the scale of capital construction which obviously was beyond our capability we had to resort to such measures as doing away with consumption sinking funds, withholding agricultural investments and investments in light industry, putting aside public utility construction and residential building in the cities and towns, and even edging out such items as science and education. In the first 2 years following the smashing of the "gang of four," the desire to achieve quick results continued to play havoc. Certain excessively high and even impractical slogans and targets were put forth and the scale of capital construction which had already exceeded the nation's capability was made even bigger. The 3rd plenary session of the 11th Central Committee of the Chinese Communist Party then put a stop to these "leftist" errors. Proceeding from reality, a fundamental change was made. After the plenary session, the guideline of readjusting, restructuring, consolidating and improving was adopted. It was clearly understood that readjusting represented the major task concerning the national economy at the time and there was also a general understanding of the possible dangers of striving for quick results. Unfortunately this deep-rooted ideology of seeking quick results could not be rectified overnight. Besides, it has been necessary to "repay" the past debts accumulated on account of the anxiety for quick results. Despite the rise in the consumption level of urban and rural residents, the scale of capital construction could not be completely reduced at once. This made the appearance of fiscal deficits unavoidable.

Second, the dispersion and disintegration of financial power and the inability to have the fund sources concentrated also form a basic cause for the occurrence of fiscal deficits. This problem of the diversion of financial power appeared early in 1958. Through the 10 years of the "great cultural revolution" it was indeed very much in evidence. At the time emphasis was laid on the "self-raising" of capital construction funds. It soon developed that whereas funds and material resources were originally available for undertaking only one construction operation, frequently arrangements were made for two or three operations. This method of "making provision for gaps" unnecessarily lengthened the capital construction front. Also, it encouraged the further diversion of funds and even led to irregularities in the absorption of funds or raising of funds for the required purposes. Such phenomena as the daily increasing amount of funds outside the state budget, the daily increasing number of fund channels, the diverse spending of funds and the lack of an overall balance have long constituted problems requiring study and solution. In the financial administration over the past 2 years and following the

reform of the financial structure, the financial power of the localities, enterprises and individual business units was enlarged. Their mobile financial resources were increased and their positivism was aroused. This certainly achieved some results insofar as microeconomics and enlivening were concerned. Nevertheless, this has further stepped up the dispersion and decentralization of the financial power. The amount of funds outside the state budget amounted roughly to 40 percent of the funds inside the budget. This meant a stringent financial situation for the central government in contrast with the relative affluence on the part of the localities, enterprises and individual business units. It has thus become impossible to concentrate power to wage a war of annihilation on deficits and the difficulties of curbing fiscal deficits have inevitably increased.

Third, the symptoms of the economic malady of the heavily restricted sphere of operation of state finance were also shown in the imbalanced economic development, low overall production power, poor economic effect from investments, and the slow increase or growth of sources of financial receipts. During the first 5-year plan period, every 100 yuan of fund accumulation could create some 35 yuan of national income. It could yield only 8 yuan during the 10 years of the "great cultural revolution" when enterprise management was in disorder, economic effect was on the downturn and losses were incurred by many enterprises which previously had reported profits. The full utilization of the productive power of the industrial and mining enterprises was curbed and this was accompanied and evidenced by such problems as large input of funds for economic construction but little return, inadequate use of funds and inability to provide the necessary accessory equipment for construction projects, resulting in a failure to achieve overall productive power. The last was particularly in evidence in the case of the coal, crude oil and electric power industries which literally became "bottlenecks" for economic development. Following the smashing of the "gang of four," the situation improved slightly. Unfortunately, these maladies in economic development were of long standing. It was obviously impossible to achieve improvement or a reversal all at once. This thus effectively curbed the growth in financial receipts of the state and it became really difficult to meet the demands, coming from all sides, for increased outlays.

The above analysis shows that the fiscal deficit and inflation of the demand-invoking type in our country was the outcome of errors in work but that such errors were relatively long-standing ones. If observation were confined to the fiscal receipts and disbursements of any one single fiscal year alone, a correct conclusion could not have been attained.

The Superiority of Our Socialist System Can Effectively Deter the Growth of Inflation of the Demand-Invoking Type

The attitude we have adopted toward inflation has been radically different from that adopted by the capitalist countries. Capitalist states take inflation as a common occurrence. The promises made by government leaders in election campaigns to curb inflation were frequently unfulfilled. On the contrary, in our country fiscal deficit and the resulting increase in the volume of currency in circulation are treated as hidden dangers and the principal tasks in the readjustment of the national economy have been designated as the accomplishment of a balanced budget, equilibrium in the receipts and payments of loan and credits and curbing inflation.

At the present moment, whether or not our country can effectively curb inflation is being closely watched by all quarters concerned. On our part, we have the utmost confidence. This is because the reason why we can stop inflation while the capitalist states cannot is not simply due to the ability of our finance departments to make suitable arrangements as to the fiscal receipts and disbursements or of our currency control department to effect strict control of the volume of money in circulation but rather due to the existence of much more serious causes. The inflation in our country did not come with the socialist system but was brought about by errors in work. It follows that after we have fully liquidated the "leftist" errors of long standing in our economic work and set a guiding theory of doing only what we are capable of and proceeding strictly according to priority order in economic construction, we can then take measures for thoroughgoing reform and can by means of a series of correct measures and policies fully implement the economic readjustment work. We can thus rectify past errors and rid ourselves of the long-standing abuse of striving for quick results.

In fact, we have had successful experiences in eradicating fiscal deficits and curbing inflation. In 1950, in unifying the financial and economic work of the nation, the whole party was mobilized, the entire country was of one mind, thought was unified, and, taking the interests of everyone into account, we soon stopped the vicious inflation which was the legacy from the old social order. In 1962, we carried out in depth the guideline of readjusting, consolidating, renovating and improving. The nation's financial power was centralized. Receipts were increased and expenditure was reduced. The capital construction frontline was shortened, while economy was also effected in administrative expenses and in expenditures for the enterprises. Special funds in the custody of different departments and units were frozen and liquidated. Credits and loans were put under rigid control and cash control was strictly implemented. In addition, other effective measures were taken to enforce the return flow or withdrawal of currency from circulation. As a result of all these measures taken, a balanced budget was achieved in 1962 and there was no need for additional currency flotation. Experiences have thus proved that strengthening the state's centralized and unified leadership does play a decisive role in eradicating a budget deficit and bringing about a balance of financial receipts and disbursements. In promulgating, early this year, the "decision on balancing fiscal receipts and disbursements and strictly implementing fiscal control," the State Council clearly pointed out: "We must implement the principle of centralization and unification in the distribution and use of financial power and strictly enforce fiscal control and discipline in matters of finance and economics."

In the current economic structure, both financial authority and financial power are, relatively speaking, decentralized and dispersed. This all the more requires the strengthening of planning and guidance from macroeconomics, the setting up of a comprehensive financial plan and achieving a proper overall balance. In strengthening the planning and guidance from macroeconomics, we must not only arrange well the disposition of funds within the state budget, but in regard to funds outside the state budget, loan and credit funds, sinking funds in the custody of the enterprises and foreign loans, we must likewise make overall plans and take all factors into consideration. Comprehensive arrangements must be made to attract and absorb all diverted funds for use by the state on urgent production and construction purposes and all useless and duplicated construction must be effectively avoided.

As for big and important problems with a bearing on the situation as a whole such as the scale of capital construction, the direction of investments, the taxation system and important financial policies and measures, they must be put under centralized and unified control and their handling must not be diversified. At the same time, in regard to the reform of the structure, we must learn how to combine the elasticity of microeconomic policymaking with the unified nature of macroeconomic adjusting. We believe that if only we can truly have our strength centralized we can completely overcome the hidden dangers in our economy.

In eradicating fiscal deficits, the measures taken must be short-term ones as well as long-term ones. The current measures taken to shorten the capital construction investment front and to reduce the expenditure on national defense, government administration and various types of enterprises all belong to the category of measures of economy and are all short-term measures. But, from the long-term view, we must still base our development on opening up new sources and on other long-term measures. At present, there is only little room for us to financially maneuver in, due basically to the limited state of our economic development and to the small size of our national income. However, we must also realize that, at present, the material foundation for overcoming our drawbacks has become vastly stronger than before. In 1980, the fixed assets of the 370,000 industrial enterprise units in the country, calculated according to their original prices, have increased by over 26 times compared with 1952 and these constitute an independent and relatively complete industrial structure and component of the national economy and are thus, a valuable base. Following some 30 years of construction and with the industries and other departments of our country having already built a rather firm foundation, the former situation of emphasizing capital construction and neglecting construction and of stressing expanded reproduction by extension and neglecting expanded reproduction by intension has been basically changed. Emphasis is now laid on tapping the hidden potentials of the enterprises, on lowering the consumption of materials, on improving the quality of the products, on raising the efficiency rate and finally on transplanting the experiences in management and technology of advanced localities and advanced enterprises to other localities in order to change the high disparity rate in the economic effect between localities and between enterprises. Quite obviously, the current financial position could be vastly improved, if we could bring about one of the following objectives: that for every 100 yuan worth of fixed assets, the localities could yield an amount of taxes and profits equal to 50 percent of the yield in Shanghai; or that the yield of taxes and profits from every 100 yuan of output value could be increased from the present approximate 26 yuan now to 34 yuan, a level achieved in the first 5-year plan and in 1965; or to reduce by one-half the volume of overstocked and stockpiled goods in the industrial, transportation, commercial and material resources departments. At present, we are grasping the production of consumer goods and the readjusting of the economic structure, the production structure and the structure of the products. These efforts all embody great significance in regard to the rationally proportionate development of the economy, the addition of commodity supplies to the market and the opening up of new financial sources for the state. This will help us basically to remove ourselves from a state of passivity, to strengthen our economic potential and on the basis of economic development, to widen the stage for our financial maneuvers.

In short, our present state of having a fiscal deficit and inflation can be overcome but the procedure will require some time and cannot be accomplished overnight. The reduction of expenditure can bring quick results but to provide a more spacious stage for our financial and economic maneuvers will have to wait for the healthy development of the entire national economy and the rationalization of the economic structure, the production structure and the structure of the products. We shall strive to cut short the time required for the consummation of these objectives.

CSO: 4006/504

NATIONAL POLICY AND ISSUES

RECENT DEVELOPMENTS IN PRC COMPUTER INDUSTRY OUTLINED

Beijing Computer Exhibition

Beijing GUANGMING RIBAO in Chinese 2 Sep 81 p 1

[Article by Zou Anshou [6760 1344 1108]: "Our Nation's Computer Industry Realizes New Progress"]

[Text] This reporter learned from the domestically manufactured computer products exhibition which opened yesterday in Beijing that our nation's new computer industry has made new progress. In recent years, the quality of products, the systematization and software and technical services have all visibly improved, the ratio between performance and price has improved, and computer applications have also produced preliminary results.

Our nation developed her first computer in 1958. Over the past 23 years, the efforts have developed into a fledgeling industry which includes scientific research and design, production and manufacturing and applications services. The whole nation has over 100 development and manufacturing units. In recent years, various models of series of machines have continued to develop. Greater improvements have been made in the stability of the products, systematization and producing sets of equipment, the ratio of performance to price and technical services. For example, the average operating time without downtime of the DJS130 small mainframe computer, which is the one widely used nationwide, has been increased from 50 hours in the past to over 1,000 hours. The systems capacity has increased from the past "three old components" (photoelectric input, punch card output, teletypewriter) as peripheral equipment to over 20 types at present. The systems software is gradually being perfected, the costs and prices have also dropped by a large scale. To strengthen technical service, last year, the nation established the China Computer Technical Service Company and the Series Computers Software Center. This year, branch companies have been established in related provinces and cities. Each production factory has also widely established applications service agencies, provided training for users, provided technical counseling, and equipment maintenance.

According to incomplete statistics, up to the end of 1980, the number of large, medium and small computers installed by every profession and trade throughout the nation had reached 3,000. These computers have served importantly in the development of our nation's science and technology, national defense construction and national economy. Since the beginning of this year, the computer industry has implemented

the guideline of readjustment of the national economy, the emphasis of work turned from production and manufacturing to popularization and application. Some typical applications test point projects which are significant for popularization have been launched in the fields of energy, light textiles industry and transportation industry. Application of the computer in our nation has expanded from mainly for scientific and engineering computations and applications in the past towards data processing, business management and real time control in each of the departments of the national economy.

This computer exhibition and sales meeting sponsored by the National Computer Industry Bureau opened at the Beijing Exhibition Hall. Comrade Wang Zhen [3769 7201] officiated at the ribbon cutting ceremony. Over 200 products by more than 90 research and development units and production units throughout the nation participated in this exhibition. The exhibits were mainly applications oriented. At the same time, some new products were exhibited. According to user demands, technical lectures and technical exchange activities will also be held. The exhibit and sales activities will last for a month and a half and the exhibit will close on October 15.

Applications Stressed

Beijing GUANGMING RIBAO in Chinese 2 Sep 81 p 1

[Article by Staff Commentator: "Take Application As the Key to Exert Efforts in Developing Our Nation's Computer Industry"]

[Text] Popularization of the application of computer technology is a question that concerns the entire situation of developing our nation's computer industry. To solve this problem well will exert an important influence upon the development of the entire national economy, national defense construction and science and culture. At present, under readjustment of the national economy, the important question of developing our nation's computer industry should be to turn from the past practice of centering around the research, design and manufacture of computer hardware rapidly towards popularization and application as the key, and to use this to lead research and development, production and manufacturing, systematization of peripheral equipment, development of applications, technical service and sales of products.

Computer technology is a leading technology. The computer industry is a new industry that serves a leading function. It is an indispensable means of modernization for the technical improvement of the national economy and national defense construction and for the realization of scientific management. At present, the level of computer technology, the scale of production and the degree of application have become important signs of the development of modern productivity. It is a profession that has developed the fastest. It has also rapidly and widely penetrated each field and has brought about great changes in production, technology, management and even social life. Data shows that in modern industrially developed nations, there are over 4,000 professions that commonly utilize computer technology. Our nation is advancing towards the building of the four modernizations. If we do not realize computerization, modernization cannot be imagined. In national defense, whether for combat weapons, strategic equipment, or technical combat command and control, the computer is indispensable. In economic buildup, replacement of a massive amount of products must realize digitization, integration, intellectualization, and these all require the

computer. The design, production, quality control, management reform of products all require the computer. The entire economic activity such as planning, statistics, comprehensive balancing, financial management, capital turnover are all inseparable from the computer. Therefore, in the period of readjustment of the national economy, each profession must emphasize the use of computer technology, select and use domestically produced computer systems and equipment as much as possible so that our nation's computer industry can develop quickly.

Research and development, manufacturing of products, applications services, training of personnel are the four important parts of the computer industry which cannot be separated from each other. Of these, popularization of application and technical service are a link that we have not paid much attention to in the past. We must fully recognize this point, and in readjusting the guiding ideology and industrial structure, there must be a strategic change.

According to our nation's actual situation, we should first pay attention to the popularization of small computer and microcomputer systems. Small computer and microcomputer systems are low priced, changes in the system are more versatile, they can better adapt to the changes in user demands by the users and maintenance personnel and technological developments. Therefore, they are an inexpensive technological means in the important path to realize automation in management and control. Therefore, while developing large and medium sized new series of computers, it seems very important to develop small computer and microcomputer systems that have a great demand and that have broad applications.

Emphasizing application as the key does not mean that systematization and systems functions can be neglected nor does it mean that product quality and reliability of the operating system can be neglected, nor does it mean that the ratio of performance to price can be neglected. It is exactly the opposite. To popularize application, we must tightly grasp the two weak links of software and peripheral equipment. We must develop applications software, develop a processing system for Chinese characters, continuously perfect and expand the function of the computer system, continuously improve the reliability and stability of the system. This is to establish the material foundation for application well. To improve the competitiveness of domestically produced computers and suit the level of the domestic users, it is very important to establish a policy to lower the price.

The goal of developing the computer industry is entirely for application. Only application can open up the way, and especially by strengthening technical services for the users can the sales of products be opened up. Sales is an important economic and technical activity of enterprises, it is the key upon which the life of the enterprise depends. Sales of computers and technical service are closely related. Foreign computer factories and businesses take "user service" as the most important guiding ideology of the entire business activity of the company. The best technical personnel are assigned to sales and technical services positions. Technical service personnel and product sales personnel constitute about one third of the entire personnel of the profession. Now, application of our nation's computers has gradually turned towards the various departments of the national economy. It has expanded from scientific computation to data processing and real time control. While the strength of computer technology of the various sectors of the national economy is still weak at present, the technical problems encountered in data processing and real time control are more complicated, strengthening technical service for the users is a forceful

measure to open up new fields of application. We must allow about thirty percent of the technical force to carry out applications service. Research institutes, mainframe plants, peripheral equipment plants must all place applications service in an important position. We must also readjust some units that presently duplicate production to change them to units specializing in applications service according to plan. We should mobilize special technical personnel from more enterprises and research institutes towards applications service, establish regional and even national sales service networks. Each region should strive towards a three-in-one combination of research and development, production, technical service and market sales while establishing computer industry companies. We must open up a road for broad applications through technical service to lead research and development and production. Only in this way can there be vitality. The present stage of technical service cannot be too ambitious. We should start out from the easy and advance towards the difficult and from the typical to the universal. At present, we must grasp tightly the computer applications systems which are technically more mature, which require less investment, which can produce quick results, which are worth popularization in the fields of energy, light and textile industries, transportation and management so that visible economic gain can be obtained within a short period.

Popularization of the application of computers is a strong driving force in the development of computer technology and industrial development. As long as the leadership pays attention, grasps the situation tightly, the computer industry will surely enter a new stage of development under readjustment and will serve its function in the development of the national economy.

9296

CSO: 4008/462

FINANCE AND BANKING

BRIEFS

JIANGSU FINANCE MEETING--The Jiangsu Provincial People's Government recently held a meeting of mayors and commissioners on the implementation of the economic responsibility system. The province will soon implement a new finance system that requires the various municipalities and counties to be responsible for their own surplus or deficits in financial revenues and to share with the province a certain portion of their surplus revenues. Provincial Governor Hui Yuyu presided over the meeting and made important speeches both at the beginning and end of the meeting. The new system is aimed at enlivening the economy and further arousing the enthusiasm of local enterprises to increase production. [OW141516 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 12 Sep 81]

REVENUE INCREASE IN YUNNAN--With industrial and agricultural production developed and commodity circulation expanded, revenues increased and expenditure declined in Yunnan in the first half-year, laying a good groundwork for balance of revenue and expenditure, credit balance, and price stability. From January to June, provincial revenues fulfilled 55.5 percent of the annual target, a 3.4 percent increase compared with the same period of last year. The annual revenue targets were fulfilled ahead of schedule in Nujinag and Diqing prefectures and were fulfilled more than 80 percent in Dehong and Baoshan, more than 60 percent in Dongchuan, Yuxi, Enmao, Xishuangbanna, and Lincang prefectures, Zhou, and municipalities, more than half of their targets in terms of timing and tasks. The targets of industrial and commercial tax collections were fulfilled 55.9 percent, a 14.1 percent increase and an additional revenue of 61 million over the same period of last year. Collection of tobacco, wine, and sugar taxes in the first half-year increased by 54 million yuan. Simultaneously with this, expenditures in the first half-year dropped 18.9 percent compared with the same period of last year. [Text] [Kunming YUNNAN RIBAO in Chinese 1 Aug 81 p 1] 9780

CSO: 4006/456

ENERGY

DRIVE TO DEVELOP METHANE FOR CITIES UNDERWAY

Beijing GUANGMING RIBAO in Chinese 2 Aug 81 p 2

[Article by Mao Rongfang [3029 2837 2455]]

[Text] Comrade Zhou Shi o [0719 1102 6166], head of the Thermodynamic Porcess Department, Nanjing Kinetics Training School, and Director of the Nanjing Municipal Boiler Institute, recently called on the authorities concerned about the prospect of developing methane for urban users. He is convinced the conditions are favorable for the cities to develop methane. Since there is a lot to gain, a project to develop methane for urban users looks very promising.

Inasmuch as the national economy and livelihood of the people depend on energy, the production of methane is in fact an integral part of the development of energy. Today, many communes and production brigades are already using methane even though it is not yet seriously considered for the cities. Zhou Shiwo believes the conditions are right for producing methane for urban users because it is done in many foreign countries and a few of our cities have experimented it on a limited scale. A city of several hundred thousand to a million people has plenty of night soil, waste from meat, tanning and bone glue factories as well as distiller's grains to generate methane. Take Nanjing for example. There are 1,800,000 residents, plus a sizable transient population. Suppose each kilogram of night soil generates 0.3 cubic meters of gas, the daily output of methane is about 500,000 cubic meters, equal to the caloric capacity of more than 500 tons of coal, enough to meet the need of 800,000 to 900,000 people. As for the structure of the facilities, large-size cement pits or daub-lined steel tanks are more suitable for centralized treatment of city sewage by specialists. The waste heat may be used for heating. As a matter of fact, fermentation may go on all year round to generate methane for all seasons. Moreover, instead of depending on natural fermentation as is done in the villages, fermentation agents may be used to speed up the fermentation cycles. The methane generated is cleansed in water and put through the city gas pipes. It is very simple and convenient. So we may say the development of methane for the cities is even more urgent than that for the villages. Since the conditions are so favorable, such a project should be entertained without hesitation.

Zhou Shiwo also named the advantages of developing methane for urban users. First of all, once the disease germs in the night soil are destroyed by fermentation, it will no longer spread diseases and breed parasites when it is used to fertilize crops and vegetables. Secondly, centralized treatment of city sewage reduces pollution of water sources by sewers. The city air will become clean again as its

residents switch from coal stoves to methane burning ranges. Thirdly, to depend on gas alone is rather precarious as thousand of households may be affected once the supply is interrupted. With methane as an alternate source of gas, the city could be considered well prepared to face emergencies. Fourthly, the city residents will be delighted as the use of methane helps release a tremendous amount of labor otherwise tied down by the coal burning stoves.

5360

CSO: 4006/446

ENERGY

DEVELOPMENT OF METHANE IN DONGHAI, JIANGSU RELIEVES FUEL SHORTAGES

Beijing GUANGMING RIBAO in Chinese 2 Aug 81 p 2

[Article by Yu Guan [6735 0385] and Zhang Yongqian [1728 3057 6197]]

[Text] Donghai County situated in the Xuhuai plain, is so poor a region that there is hardly any fertilizer for the fields, fodder for the cattle, nor straw for the commune members to burn as fuel. In late winter and early spring, some people have to burn dried potatoes as fuel. So the doggerel goes: "Food poses no problems, clothing poses no problems, but what has to burn under the cooking pot poses a real problem." The cadres are aware of the situation but could not do anything except to agonize about it. Everyone is anxious to find a solution to resolve the shortage of straw for fuel. However, in 1975, the xian began to produce methane. After a few years of endeavor, they have built some 33,000 methane-generating pits. Now methane is available to 20 percent of the production brigades and teams of the 4 communes. To the people of Donghai, "methane is such a treasure that you have to have it for both production and daily living."

We visited the homes at the Xiaodian production brigade of Qinghu Commune where each household has a three-in-one methane-generating pit. Even though every pit is connected to a toilet and a pigsty, the house is kept clean both inside and outside. When we entered a room where the stove is, we did not see any trace of black ashes and pollutants. This presents a picture completely different from those stove compartments where people burn straw and charcoal. The brigade cadre who accompanied us said: "In the past we had neither toilets for people nor sties for pigs. Every time it rained, the whole place overflowed with filth and sludge. As a result, flies, mosquitoes and germs multiplied and spread, causing such epidemic diseases as dysentery, malaria and enteritis, a real threat to human health. Now as we are on methane. What we do is simply to put all the night soil and garbage into the pit and let them ferment. This cuts down germs, insects and diseases. The use of methane is a real sanitary uplift for the villages." The use of methane also makes household chores much simpler for women who claim that cooking which used to be complicated has become much simpler. When you return home from work, what you do to cook is to turn the switch and light a match and that is all there is to it. It saves labor and time, and works wonders.

Lao Zhang, secretary of the Henggou commune party committee, said they empty their methane-generating pits both in the spring and fall. Each pit yields 20-30 cubic meters of fertilizer and the whole commune could stack up over 100,000 cubic meters

of fertilizer per year. If we provide each mou of land with two cubic meters of this methane fertilizer, we could save 70,000 yuan otherwise spent to buy chemical fertilizers. Weed and night soil become potent fertilizers after fermentation in methane-generating pits. According to a comparative study of the strength of indigenous and methane fertilizers conducted by the county Agricultural Science Institute at the Tangfang production brigade, the nitrogen content per 100 jin of methane fertilizer is over 10 times more than that in a similar amount of indigenous fertilizers. Last year we planted 10 mou of peasants to test the relative potency of the indigenous and methane fertilizers. The part which had the methane fertilizer produced 454 jin of peanuts per mou, an increase of more than 50 percent over the part where indigenous fertilizer was used. Lou Zhang also explained to us the changes brought about by the use of methane. Five years ago, according to him, the commune was very poor. In the three years since the introduction of methane in 1978, it has produced 1.4 times more grains and edible oil and raised 1.6 times more pigs. The food ration of the commune members has increased over 200 percent. Being able now to surrender over 7,000,000 jin of grain to the state and save 15,000,000 jin of straw per annum, we have ended that difficult period of dependence on the state for money and grain and paying for straw and charcoal brought from other localities. The members of the commune have built over 2200 tile-roofed houses with the straw and money they saved. Other comrades of the country believe the changes taking place at the Henggou commune is representative of the situation in the entire Donghai county which has been saving 4-5 thousand tons of coal and close to 100,000,000 jin of straw each year since 1978.

The Chenzhan production brigade of the Hongshuang commune has 307 households of about 1300 people. Before the introduction of methane, 117.5 workers had to gather straw for fuel all year round. Now, the 34 children who used to gather straw are in the school. The trees in the villages "once stripped of their bark, cut back or uprooted" are blooming again in the spring as afforestation advances by leaps and bounds. In a stretch of 30 years after liberation, each person on the average had planted 213 trees. But each has already planted over 240 trees within one year after the introduction of methane. In other words, a 30-year job is done in one year. The Chengxi primary school of the commune used to spend 250 yuan per annum to provide its 13 teachers with 2-3 jin of kerosene each evening for lighting. The use of methane has solved the cooking and lighting problem of its two resident teachers and their five dependents. The money for kerosene they saved last year is enough to buy the school a blackboard, rulers and a terrestrial globe. Since the students do not have to drink boiled water any more, the number of sick leaves due to stomachache has dropped noticeably.

The heartening situation in the villages of Donghai xian and the pleasure its people derive from the use of methane have taught the cadres an inspiring lesson. They realize now the development of methane is a great popular endeavor which benefits the people and promotes agricultural development. It is a vital rural construction project designed to provide energy, fertilizer, environmental protection and public health. The people of Donghai County are confident that in 5 or more years they will develop this new enterprise well enough to make methane available to the entire county.

ENERGY

TAIYUAN GETTING READY FOR COAL GASIFICATION

Taiyuan SHANXI RIBAO in Chinese 14 Jun 81 p 1

[Text] The 6th plenum of the Shanxi Provincial People's Government which took place on 11 June to study coal gasification for Taiyuan was attended by all the members of the provincial government and the heads of its various commissions and departments, plus the specialists and technical personnel invited to participate in the discussion. Chaired by Luo Guibo [5012 6311 3134], the governor, Yue Weifan [1471 4850 5672], the deputy governor, reported to the meeting on the progress of the coal gasification project for the city of Taiyuan. The meeting voiced its unanimous support of the coal gasification project for Taiyuan which it considers beneficial to the people and worthy of step-by-step implementation.

The engineering preparations for gasification in Taiyuan were set in motion by the Ministry of Coal Industry and the Shanxi Provincial People's Government which agreed in writing to operate jointly the Taiyuan Gas Company. With active assistance given by the provincial and city authorities concerned, the planning institute of the Ministry of Coal Industry now designated to draw up the gasification plan has been working to get it ready as soon as possible for submission to the provincial government and the Ministry of Coal Industry for approval. A preparatory sub-committee has been set up to lay the ground work for organizing a coal gasification company and erecting a 400,000-ton coking plant. The provincial Construction Commission has decided to ask the Chemical Industry Planning Institute and the 13th Metallurgical Construction Company to design and build the coking plant. The Municipal Planning Institute of Tianjin is authorized to design the gas pipe lines for the whole city as planned.

More than 1000 tons of equipment and over 7000 tons of refractory bricks for the 400,000-ton coking oven are already at the construction site. A plant leadership, including an administrative staff, the managing and deputy chief engineers, is taking shape while over 60 technical and business personnel are actually working at the plant site. Other staffers had gone to visit the major coking plants both within and outside the province to gather technical data required to prepare for the construction and operation of the plant in Taiyuan. Moreover, the construction of the project of the Taiyuan Detergent Plant to use cracked paraffin gas to produce liquefied petroleum gas and that of the Taiyuan Chemical Fertilizer Plant to recover its coke oven gas is already in progress. Following Comrade Yue Weifan's report, Comrade Luo Guibo said: coal gasification is a good thing which the people of Taiyuan have been clamoring for all these years. We as workers of the people's government should do

what is good for the people. We must see to it that the coal gasification project for Taiyuan is done properly and promptly. While those departments and units directly involved in the project must work hard, all other appropriate departments and units should also support it and cooperate actively. We welcome different views and recommendations, especially the opinions of our engineering and technical comrades. However, close cooperation and active support must be given to what has been decided to be done so as to speed up the preparatory work of the Taiyuan coal gasification project. Comrade Luo Guibo also told the provincial Department of Chemical Industry and other related departments to watch the progress and quality of the project of Taiyuan Chemical Fertilizer Plant to recover its coke oven gas and that of the Taiyuan Detergent Plant to utilize cracked paraffin gas. He also asked the appropriate provincial and city authorities to do well the production and supply of better honeycomb briquets at a lower cost.

5360

CSO: 4006/446

INDUSTRY

SHANGHAI'S INDUSTRIAL SYSTEM UNDERGOES MAJOR CHANGES

Shanghai WENHUI BAO in Chinese 3 Aug 81 p 1

[Staff correspondent: "Shanghai's Industrial System Undergoes Six Major Changes"]

[Text] Comrades in the municipal industrial system, who studied the documents of the Sixth Plenum, looked back on the profound changes that have taken place since the Third Plenum after the industrial system implemented the policy of economic readjustment. These changes have illustrated that the line and general and specific policies laid down at the Third Plenum are entirely correct.

In their opinion, six major changes have taken place in the industrial system:

First, industrial structure is developing in the direction of light industries. With various units in the industrial system exerting efforts to organize production according to market requirements at home and abroad, the industrial structure has undergone new changes. Light industrial output (including textile, handicraft, and electronic products for daily use) increased 22.6 percent in 1980 compared with 1978, and 6.2 percent in the first half-year compared with the same period of last year. The proportion of light industrial output in the total value of Shanghai's industrial output was up from 49.3 percent in 1978 to 54.8 percent in the first half of this year.

Second, the product structure has undergone changes. Over the past two years, 302 kinds of products from the municipality have been rated fine-quality products at the municipal level, of which sixty-five have won gold and silver medals from the state; 270 kinds of products have been rated first place among similar products nationwide. The variety of new designs, sizes, colors has continued to increase. Over the past two years, the bureaus of textile, light industry and handicraft industry have trial-produced more than 60,000 items of new designs and colors, averaging a 23.5 percent increase a year, of which more than 70 percent have been put into the batch process. In the first half this year, 12,000 kinds of new designs and colors have been successfully trial-produced and more than 85 percent have gone through the batch process.

Third, fast growth in market supply of consumer goods, particularly in the case of high- and medium-quality products and durable consumer products. Among light industrial products, between 1978 and 1980 foodstuffs and cigarettes increased at an average progressive rate of 8.4 percent a year, clothing products at an average

progressive rate of 13.2 percent, and products for daily use an average progressive rate of 12.4 percent. Over the past two years, the main items of durable consumer goods showed greater rates of progressive increase a year: 130 percent for tape-recorders, 61.3 percent for TV sets, 40.6 percent for electric fans, 39.9 percent for cameras, 15.4 percent for watches, 12.4 percent for transistor radios, 8.7 percent for bicycles, and 8.3 percent for sewing machines.

Fourth, development of export products. More than 2,000 enterprises are turning out export products with sales reaching more than 150 countries and regions. The structure of export products has also undergone changes with the output of export products of the metallurgical, chemical and first machine-building bureaus and the instrument and meter bureau No 4 showing an average progressive increase of 39.9 percent a year between 1978 and 1980.

Fifth, the economic system preliminary restructured. Since 1979 when the system of retaining a portion of profits was tried out, two industrial bureaus, twenty-nine companies and forty-one plants have tried out expansion of powers for stimulating the enthusiasm of cadres and the masses for acting according to the economic laws. In the case of all the experimental enterprises, total output value and profits in 1980 increased about 7.5 percent over the previous year, higher than the average municipal level. A group of enterprises in the municipality have broken down the ownership barriers of districts, trades, and departments and developed more than 300 forms of economic combinations, promoting the development of production.

Sixth, rise in industrial production level. Shanghai's gross industrial output in 1979-1980 increased at a progressive rate of 7.2 percent a year compared with 1978. In the first half of this year, despite that the number of working days was one day less than in the same period of last year, average daily output still increased 0.4 percent.

Comrades in Shanghai's industrial system have benefited from implementing the economic readjustment policy. Many comrades have said that the tasks of readjustment are still heavy and formidable and that some contradictions remain to be resolved. They have determination to implement the decision of the Sixth Plenum of the party and see to it that Shanghai, an old industrial base will contribute more to the state in the course of readjustment.

9780

CSO: 4006/457

INDUSTRY

BUSINESS MANAGEMENT REFORM IN WUHAN

Wuhan HUBEI RIBAO in Chinese 1 Aug 81 p 1

[Article by Wang Changxiao [3769 7022 1321]: "Underwriting Profits, Sharing Additional Income" Practiced by Eight Industrial Bureaus"]

[Text] The Wuhan municipal people's government recently announced measures for "underwriting profits and sharing additional income" to be practiced by the eight municipal bureaus of textile, first light, second light, machine-building, metallurgical, building materials, chemical, and electronics industries. This marks a new advance for the economic responsibility system on the Wuhan industrial front.

"Underwrite profits and share additional income" is an effective policy measure taken after experience had been gained by the municipal bureau of metallurgical industry in trying out the system of "underwriting profits and sharing additional income industry-wide." When the municipal authorities first transmitted from the higher authorities to the bureau of metallurgical industry a 9 million yuan target of profits to be delivered, the bureau was not prepared to accept the task. After consultations, the municipal authorities changed the target into one of underwriting 9 million yuan in profits and sharing additional income at an 8:2 ratio. Eventually, the target was fulfilled with the following results: Last year the bureau delivered 9 million yuan in profits to the state; with their income increased by 310,000 yuan the bureau retained 1.11 million yuan according to the terms agreed upon. Thus, each side benefited. This inspired and encouraged the municipal government. Convinced of the effect of the economic responsibility system the municipal government decided to introduce the system on a broader scale this year.

In the course of practicing this economic responsibility system - "underwrite profits and share additional income" - the municipal government held repeated consultations with the departments and bureaus concerned and then decided to proceed from reality and determine a rational base of underwriting profits and the proportions of profits to be shared, taking into account the production-increase potential of each industry and how difficult or easy it is for each industry to increase its profits. For example, in the case of the bureau of textile industry, the amount of profits underwritten was 208 million yuan and the additional profits to be shared by the bureau and the finance department at the following ratios: 1:9 for profits over 190 million, 2:8 for profits over 208 million, and 9:1 for profits over 237 million. In the case of the bureaus of the first light, second light, and machine-building industries, the amount of profits over the underwriting target was to be

shared between the bureaus and the finance department at the ratio of 2:8. In the case of the bureaus of chemical, metallurgical, and electronics industries, the amount of profits additional to the underwriting targets was to be shared at a 8:2 ratio between the bureaus and the finance department. In the case of building materials industry, the amount of profits over the underwriting target was to be shared between the bureau and the finance department at a 6:4 ratio.

Before the eight industrial bureaus implemented "underwrite profits and share additional income," a 15 million yuan gap in the 362.31 million target of profit delivery to the state had remained unfilled by Wuhan's industrial enterprises this year. After the bureaus implemented "underwrite profits and share additional income," not only could the 15 million yuan gap be filled, but also the annual targets of industrial profits to be delivered to the state are expected to be overfulfilled. The responsible persons of these bureaus have expressed determination to assume the economic responsibility, share the state's cares and burdens and contribute more to the state. They are making each level underwrite profits to be delivered. Municipal Financial Director Xu Nongye [1776 6593 0048] said with deep feeling: "When trying to fulfill the annual financial plans in the past, we were gliding on a piece of melon skin, not knowing where we were going, and we worried about things all the year round. The present system of 'underwriting profits and sharing additional income' combines power, responsibility, and profit. Production can be developed and state revenue is assured. The big stone on our back for six months is now laid on the ground."

In addition to the eight municipal industrial bureaus, the Bureau of Public Utilities, the Bureau of Building Construction, the Bureau of First Commerce, the bureau of second commerce, and the supply-marketing cooperatives also announced the implementation of the "underwrite profits and share additional income" system. The municipal authorities have decided to adopt the economic measures, "quota subsidy, no subsidy for above-normal loss, and retention of surplus for own use."

9780

CSO: 4006/456

INDUSTRY

ABOVE-QUOTA PIECEWORK BONUSES INTRODUCED IN SHANGHAI

Shanghai WENHUI BAO in Chinese 29 Jul 81 p 1

[Staff correspondent: "Above-Quota Piecework Bonus Offered by Shanghai Industrial Enterprises"]

[Text] An above-quota piecework bonus system on a plant-wide or industry-wide basis is now being practiced among more than 300 industrial enterprises and 200,000 workers in Shanghai municipality for satisfactorily linking the results of enterprise operations to the material interests of the workers and for stimulating increased production of many commodities that are in short supply on the market.

This system of reward was first tried out by the hardware company under the Bureau of Handicraft Industry. Early in 1979, products from the Huasheng Electric Fan Factory, the Shanghai Shoe-nail Factory, the Shanghai Aluminum Products Factory No 2, and the Shanghai Masthead Light Factory under this company fell short of demand and the company ran into many difficulties in increasing their output. To stimulate the enthusiasm of the enterprises and their workers, the bureau and the company worked out annual output targets for the four factories, stipulating that, provided they fulfilled their quality and profit targets and goods supply contracts, they may get above-quota piecework bonuses if they have exceeded their annual output targets. The result was that the products turned out by the four factories - showed greater increases during the year with output value up 10.8 percent and profits up 11.6 percent compared with the previous year. Originally, it was calculated that no one would get a bonus, but the result was that workers got an average bonus of 131 yuan.

Since this method of bonuses is satisfactorily stimulating the enthusiasm of enterprises and workers, those industries and enterprises producing bicycles, sewing machines, watches, cold drinks, cigarettes, beer, glass frames, transistor radios, TV sets, tape-recorders, electric meters, clothing, furniture, leather shoes, electric irons, and locks have practiced this bonus system this year. The municipal bureau of light industry has agreed with the bicycle company to take last year's output of 3,760,000 bicycles as the base for the current year. They have agreed that no bonus will be applicable to this output figure and that for each bicycle produced over and above this figure a bonus of 10 yuan will be given. Calculated on this basis, an average bonus of 170 yuan could be earned by each worker if the current year's output reached the target of 4.1 million bicycles.

9780

CSO: 4006/456

INDUSTRY

BRIEFS

ANHUI ELECTRONICS INDUSTRY--Hefei, 15 Sep (XINHUA)--As of the end of August, the electronics enterprises in Hefei, Anhui, had produced 130 million yuan of electronic products. Thanks to renovation of equipment and tapping production potentials, the electronics enterprises in Hefei produced 268,000 radio sets during the first 8 months of this year, topping the same period of last year by 120 percent. [OW151217 Beijing XINHUA Domestic Service in Chinese 0105 GMT 15 Sep 81]

FUJIAN INDUSTRIAL ENTERPRISE MEETING--Speaking at the Fujian Provincial Industry and Transport Work Conference on 15 September, Vice Governor Wang Yan noted that 1,008 state-owned enterprises at and above county levels in the province are implementing the system of shared responsibility in loss and profit with good results. This system will be propagated throughout the province next year. Comrade Wang Yan stressed that in implementing this system, industrial enterprises should handle well the relationships between the enterprises and the state and between the enterprises and individual workers. No enterprise is allowed to go after profits to the neglect of state plans. He also urged better ideological and political work and supervision of enterprises' economic activities. [OW180529 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 15 Sep 81]

JIANGSU INDUSTRIAL PRODUCTION--The Jiangsu Provincial Economic Commission recently held a meeting of directors of prefectural and municipal economic commissions and responsible persons of provincial departments and bureaus concerned. The meeting stressed that industrial enterprises should strive to produce more salable goods and fulfill state plans during the next 4 months of this year. It noted that Jiangsu's industrial production of the first 8 months had been increasing steadily, with total output value topping the same period last year by 5.4 percent. However, many products were in short supply, quality of some products was declining while others were unsalable because of unattractive designs. All this should be avoided in the next 4 months. The province can expect to achieve the annual industrial growth rate of 6 percent set forth by the provincial people's government. It is even possible to reach the 7-percent mark with arduous efforts. [OW180543 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 17 Sep 81]

CSO: 4006/504

CONSTRUCTION

BRIEFS

PROJECT CONSULTING COMPANIES--Beijing, 9 Sep (XINHUA)--Ten project consulting companies have been established here to design both domestic and overseas projects, the PEOPLE'S DAILY reports today. They are the China Guangan Project Consulting Company, the China Jingxi Project Consulting Company, the Xinghua Project Consulting Company, the China Coal Mine Designing and Consulting Company, the Beijing Chemical Industrial Project Consulting Company, the China Air Conditioning Project Consulting and Designing Company, the China Forestry Product Industrial Project Consulting Company, the Northeast Construction Project Consulting Company, the Northwest Construction Project Consulting Company and the Southwest Construction Project Consulting Company. [Text] [Beijing XINHUA in English 1205 GMT 9 Sep 81 OW]

CSO: 4020/251

DOMESTIC TRADE

BRISK RURAL URBAN MARKETS REPORTED IN JIANGSU

Rural Market Thriving

Nanjing XINHUA RIBAO in Chinese 4 Aug 81 p 1

[Article by correspondent Shen Gongxiao [3088 0364 5135]: "New Spectacle of 'Three Increases and One Reduction' in Rural Market of Our Province; To Ensure Greater Prosperity for the Rural Market, Action Is Being Taken To Tighten Control on Business Activities and Negotiated Transactions"]

[Text] Since the Third Plenary Session of the 11th Party Central Committee, our province has witnessed a thriving market in the countryside, characterized by the "three increases and one reduction." Such prosperity has been a rare sight for more than 20 years.

Increased Forms of Economic Structure Break the Monopoly of Supply and Marketing Cooperatives.

Business in the rural areas of the province has now returned to the days of the 1950's, when the coexistence has now returned forms of economic structure was permitted. In addition to the supply and marketing cooperatives owned by the whole people, there are also cooperative stores owned by collectives, itinerant peddlers, restaurants, service centers and repair shops run by communes and production brigades or teams, and integrated enterprises of farming, industry, and commerce. By the end of June 1981, according to incomplete statistics, there were more than 25,000 collective commercial undertakings in the countryside, which was close to the figure in 1965, before the "Great Cultural Revolution." The number of personnel exceeded 145,000, or 2.2 times that in 1965. These different forms of economic structure are mutually supplementary and contribute to the prosperity of the rural market. In the first half of 1981, the total output value of agricultural and sideline products by the supply and marketing system of the province totaled some 420 million yuan. If the reduced yield of cotton is excluded, this represents an increase of approximately 5 percent over the same period in the previous year. The sale of capital goods totaled more than 1 billion yuan, an increase of 8.4 percent over the same period last year, while the sale of consumer goods totaled some 2.2 billion yuan, an increase of 3.3 percent over the same period last year.

Increased Channels Further Promote Circulation of Material.

Since 1979, state planning supplemented by market regulation in the countryside has replaced the former system of excessively rigid control, which practically blocked the channels of circulation. For agricultural and sideline products of the third category and for portions of those of the first and second categories remaining after procurement, negotiated purchases and negotiated sales are being practiced in the province. The supply and marketing system has also set up 83 trade warehouses at or above the county level and more than 2,400 country trade fairs. Transactions last year at country trade fairs alone totaled more than 1.576 billion yuan, equivalent to approximately 10 percent of total retail sales. The increase in transactions is even larger this year. With the increase in the channels of circulation, the sales and purchases of agricultural and sideline products have been brisk, and some native special products, dried and fresh fruits, aquatic products (fresh or still alive), traditional snacks, and dumplings have returned to the market after a long absence. Sales of industrial goods have also increased gradually, and the phenomenon of overstocking in one place and running out in another has been basically changed. Last year, people in Xuzhou Prefecture had a lot of leftover reeds and starch and did not know how to dispose of them. The trade warehouses came to their assistance, and whatever they had on hand was completely sold.

Increased Flexible Forms of Business Mean Greater Convenience to the Peasants.

In the past, commercial departments in the countryside has the bureaucratic style of sitting in the office to wait for customers. Now there are many more forms of business transactions, such as exchange meetings, supply meetings, exhibition and sales meetings, service departments in the early morning and late evening, roadside stalls, deliveries to villages and fields, and so forth, with greater flexibility and improved service. Some traditional features of trading have also been restored. Last May, the supply and marketing cooperative of Huaian County held traditional temple fairs--a relic of the days of sedans and coaches--along with 20 material-exchange meetings participated in by communes and basic-level units. In Huaian County, the Nanping Supply and Marketing Cooperative recently made 103 deliveries to the countryside, and in the first 20 days of June nearly 10,000 yuan worth of goods were delivered. In the first half of 1981, Suzhou Municipality and Wuxian County jointly held 11 exchange meetings for supplying industrial goods to the countryside, and the transactions totaled more than 3.21 million yuan. After a long absence, hawkers shouting their wares are being seen once again in the villages.

Reduced Intermediate Links in Circulation of Goods in the Rural Market.

Because of self-imposed restrictions, the circulation of goods was formerly organized strictly according to the demarcation of administrative districts. This resulted in many intermediate links and regional barriers. Now these barriers have been removed, and circulation is organized according to the demarcation of economic zones. Procurement and marketing beyond district limits are now permitted, and production and sales are gradually coming face to face. For example, fruits in our province (mainly apples and dates in the hot season) totaling approximately 2 million dan each year were procured by the local supply and marketing departments, and there were three or four intermediate links between production and consumption. The producing units did not get much benefit, supply and marketing departments lost approximately 2 million yuan each year, and consumers could hardly ever eat any

fresh fruit. Thus the producers, suppliers, and consumers all had complaints. After the combination of planned delivery with negotiated purchases and sales, the supply and marketing departments throughout the province procured only some 300,000 dan, approximately 16 percent of the total yield, leaving all the rest to be sold by the producing units in the open market. Thus the producing units are making more money, the supply and marketing departments have reduced their losses, and consumers can eat fruits while they are still fresh. All three parties are now happy.

While bringing vitality to the rural market, the "three increases and one reduction" have also created certain new problems. For example, following the policy of coexistence of different forms of economic structure, a bull market has appeared and some departments that should not be involved in commercial activities are now dealing in agricultural and sideline products and industrial goods, thus upsetting the state's procurement and marketing plans. In some localities, the practice of negotiated purchases and negotiated sales has gotten out of hand and is creating conditions for speculation and profiteering. All of these activities have affected market supply and price stability. These problems have attracted the attention of the authorities in various localities, and the industrial and commercial administrative departments at various levels in the province are now tightening their control with the assurance that "control will not be overly rigid, and relaxation of control will not produce disorder" in the rural market.

Statistics for 6 Months

Nanjing XINHUA RIBAO in Chinese 28 Jul 81 p 1

[Article by Information Section of Jiangsu Statistics Bureau: "Thriving Market in Cities and Countryside, Following Increased Domestic and Foreign Trade in Jiangsu During First Half of 1981"]

[Text] The first half of 1981 has witnessed an increase in domestic and foreign trade in our province. The market in cities and the countryside is thriving, and the people's level of consumption has been raised.

Since the beginning of this year, further implementation of the party's rural policies has brought about a rapid development of the rural economy. Industrial departments have continued to increase the supply of consumer goods according to the readjustment policy, thereby providing a strong material foundation for the commercial departments to increase the procurement of agricultural and industrial products and to keep the market well supplied. In the first 6 months, the total value of procurement by state-run commercial enterprises was 7.2 percent more than in the same period last year. This included a 26.6-percent increase for agricultural and sideline products and a fourfold increase for grain and edible oils. Such a wide margin of increase has been very rare in recent years. The value of procured industrial goods was 2.4 percent over that of the same period last year. The special feature of the market is the large increase in supply to meet the growing demand. The volume of procurement of wristwatches, bicycles, sewing machines, TV sets, and radios increased by 60 percent over the same period last year. There is, however, a drop in the procurement of goods in excessive supply, including metals and chemical-industry commodities. In the first 6 months, commodities procured for foreign trade increased by 16.8 percent over the same period last year. This was a strong support for the export trade. The total value of exports in the first 6 months increased by 26 percent over the same period last year.

By the end of June, the total value of goods in stock had increased by 10 percent over the same period of last year. Those of the train and foreign trade departments had increased by 49 and 29 percent, respectively.

In the first 6 months of this year, per capita consumption in the province was 5.4 percent higher than the same period last year, if the price factor is not taken into account.

In the same 6 months, the market was brisk in the cities and in the countryside. The volume of retail sales was 4 percent higher than in the same period last year. This included a 10-percent increase of consumer goods in the cities. Although there was a reduction in grain output in the countryside at or below county level in some prefectures last year, the peasants' income was not affected, thanks to the rapid development of sideline production and commune- and brigade-run industries. The volume of retail sales was still 3.8 percent higher than in the same period last year. Retail sales of consumer goods were quite good, as shown by the large increase of food, clothing, and high- and medium-grade goods. Sales of ordinary daily necessities also increased, by 26 percent over the same period of last year, while grain, edible oils, pork, poultry, fresh eggs, cigarettes, and liquor increased within the range of 2-8 percent. Of the 11 main types of commodities used for clothing, 10 of them showed increased sales over the same period of last year. One striking change in clothing is that ration coupons, used mostly for cotton cloth and cotton dresses in the past, are now used for knitwear, bedsheets, and indoor decorative cloth, while high- and medium-grade chemical fibers and silk and woolen knitwear now occupy an important place in clothing. Among the "three major items" of high-grade durable goods, 357,900 bicycles, a 31-percent increase over the same period of last year, more than 195,600 sewing machines, an increase of 25 percent, and 996,000 wristwatches, a 19.5 percent increase, were sold. Because of the improved housing situation in both urban and rural areas, there are now new demands for daily necessities. At present, it is quite common for people to make their own furniture, and the demand is growing for spring locks, padlocks, mirrors, and lacquer. At the same time, people are more keen on interior decorations, and sales of glassware have been very brisk. The lifestyle in the countryside is being gradually urbanized, and peasants in economically developed areas even want to buy sofas, floor lamps, TV sets, wooden tableclocks, and the "three minor foreign items." The demand for building materials, such as cement, glass, and timber, is now greater than the supply.

By the end of June, the savings deposits of the people in urban and rural areas had increased by 297 million yuan, a 12-percent increase over the amount at the beginning of this year.

9411

CSO: 4006/468

FOREIGN TRADE

NATURE OF SPECIAL ECONOMIC ZONES

HK170929 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 8, 20 Aug 81
pp 54-58

[Article by Fang Zhoufen [2455 0587 5358] of the Economic Research Institute of the Chinese Academy of Social Sciences: "On the Nature of China's Special Economic Zones"]

[Text] Special economic zones are a new thing in China. Ours is a socialist country. Why does China want to set up special zones? This is a matter of concern to quite a number of people. Therefore, it is necessary to make an analysis of the nature of the special zones.

I

Special economic zones are similar to the export processing zones that are found elsewhere in the world, and are a development of free trade zones. Free trade zones, as the term suggests, are regions where overelaborate procedures of taxation and customs are discarded so as to develop import-export trade and re-export trade. But export processing zones are areas where goods manufactured for export are developed. Historically, free trade zones (or free ports) can be traced back two centuries while export processing zones have only emerged in the past 20 to 30 years.

After World War II, the former colonies and dependencies proclaimed their independence one after another. But owing to the prolonged extortion by imperialism, they were economically weak and technologically backward. They wanted to develop their own national economies and realize the modernization of industry, but they lacked funds, technology and equipment, so they wanted to use foreign capital and introduce technology from abroad. On the other hand, some economically developed countries could no longer brazenly regard the underdeveloped countries as their colonies and semicolonies, yet they needed to adopt new forms to export capital to the underdeveloped countries, use the latter's cheap labor power and land rent as well as other materials in order to grab more economic interests. The export processing zones emerged as the situation required. Now more than 70 countries in the world have set up 350 export processing zones and free trade zones of different types. The names are many and varied: There are free trade zones, export processing zones, free industrial zones, free ports and free frontiers.

To set up an export processing zone, in general, a piece of land in a port or in a vital communications line is parcelled out, some preferential decrees are enacted (such as apart from a few materials, the import and processing of raw materials and spare parts and export of finished goods are exempted from taxation), basic facilities are provided and good conditions are created for the purpose of utilizing foreign capital and importing equipment and technology so as to develop industry, trade and tourism. The sovereignty of the export processing zones set up by the countries, rich or poor, belongs to the countries where the zones are set up. The choice of location and the scale of investment are decided by the countries concerned.

No more than 2 years have elapsed since the setting up of China's special economic zones. After the 3d Plenary Session of the 11th CCP Central Committee, the party and the state called on the people throughout the country to march towards the four modernizations and try their utmost to learn advanced experience from foreign countries in the light of the principle of self-reliance. Running special economic zones on a trial basis is an important task. In the latter half of 1979, in the light of the special conditions of Guangdong and Fujian Provinces, the Party Central Committee set up special economic zones in Shenzhen, Zhuhai and Shantou and Xiamen, and took Shenzhen and Zhuhai as trial-point units that were required to take the first step forward.

How are the characteristics of China's special economic zones manifested?

- 1) The administrative management organs of the special zones are put under the direct jurisdiction of the central government or the localities are authorized by the central government to be in charge of approving the investments of foreign businessmen and handling the matters relating to opening factories or running enterprises and other undertakings in the special zones and enacting and revising the relevant decrees and regulations.
- 2) Create good conditions for investment and initiate necessary basic infrastructure such as water supply and drainage, power supply, roads, navigation or air traffic, telecommunications, wharves, channels, land-levelling and warehouse storage facilities.
- 3) Put the market economy first. Owing to the fact that the sector of state capitalism and the sector of capitalism hold an important position in the special zones, it is necessary to carry out regulation by market mechanism in the light of the law of value. But this does not mean that we no longer need regulation by planning mechanism. The overall program of the special zones should be stipulated by state planning. From the view point of the whole country, this market economy of the special zones is only a supplement to the socialist planned economy. The area of a special zone generally covers only 200 or 300 square kilometers of land. (Note: The area of the Shenzhen special zone is only 327.5 square kilometers and some 90 square kilometers of land are available for construction. The area of the Zhuhai special zone only covers 6.8 square kilometers.) In China's 9.6 million square kilometers, this strip of land is only a pinprick.

4) The products of the special zones are export-orientated. The opening up of the country to the outside world is closely related to the international market. Therefore, the fluctuations of the world market, in particular those of the markets of Hong Kong and Macau will rapidly exert a bearing on the economy of the special zones. For this reason, a clear line of demarcation should be made between the special zones and nonspecial zones, segregating the latter from the former.

7) Stipulate various regulations for providing foreign investors with preferential treatment in the special zones, such as tax regulations (meaning import and export duties and income tax), registration of enterprises, financial administration, land administration, labor and wages.

The above-mentioned five characteristics indicate what is "special" about the special zones.

China's special economic zones and the foreign free trade zones have something in common, that is, the utilization of foreign capital, the expansion of exports, the increase of employment and foreign exchange, therefore, they have some similarities in their method of work. But they are different in nature. China's utilization of foreign capital is for speeding up socialist economic construction and exploring new experiences in expediting the four modernizations. But the setting up of free trade zones (the export processing zones) of the capitalist countries is for developing the capitalist economy. There is obviously a distinct difference in nature in the final aim owing to the difference in the social system.

China is a country with a huge population, a weak foundation and backward industry. To build the four modernizations, we lack funds, scientific and technological force and advanced managerial experience. Therefore, it is necessary to use foreign capital and introduce advanced technology from abroad. After the October revolution of the Soviet Union, the young Soviet Union crushed the imperialist armed intervention and it suffered serious damage economically. Lenin held that the Soviet Union should utilize foreign capital, absorb the experience of the West European capitalist countries and their achievements in science and technology. Lenin pointed out: "Without the help of foreign equipment and technology, we would be unable to revive the damaged economy by relying on our own strength alone." ("Collected Works of Lenin," Vol 32, p 171) During the 1920's and 1930's, acting upon Lenin's policy of utilizing the capital of the West to accelerate socialist economic construction, Stalin accepted foreign loans and signed technological agreements, imported machinery and equipment and advertised for foreign technological personnel. All this was of great help in laying a foundation for the Soviet Union's modern industry. Later the sabotage of the class enemy at home and abroad caused the suspension of this work.

We can use for reference the policy of Lenin and Stalin concerning the utilization of foreign capital and the introduction of technology and equipment in developing China's social productive forces and socialist economy. This tallies with the principle of seeking foreign assistance on the precondition of self-reliance, and is also the theoretical basis for us to set up the special zones.

The setting up of the special economic zones is for the utilization of foreign capital and introduction of technology and equipment. Therefore, whether or not

the special zones can develop depends on whether or not they can draw upon funds from abroad and whether or not they can earn more foreign exchange with the limited domestic investment, thus ensuring the advance of the building of the special zones and providing socialist economic construction with some new experience that can be used as reference.

II

There exist varied economic sectors in the special zones. Apart from the enterprises run by our own country, there are joint ventures with Chinese and foreign investment and enterprises operated with foreign capital. Judging from the current trend of development, the economic sector of state capitalism constitutes a relatively big proportion. How should we understand these economic sectors of the special zones?

First, looking at the actual conditions, the Shenzhen and Zhuhai special zones have adopted the following forms in utilizing foreign capital: processing with the materials supplied, compensation trade, enterprises under joint management, joint ventures with Chinese and foreign investment and independently operated enterprises with foreign investment. These enterprises cooperate with the national economy or the collective economy in varying degrees.

1) Processing with materials supplied or assembling with materials supplied. There tend to be diverse methods of work in this form but they boil down to mainly two ways: One is that foreign investors are offered factory buildings and equipment and we do the processing and assembling with materials supplied by them according to contracts and deliver the finished products on schedule to Hong Kong businessmen. We have no proprietary rights over the products and only gain industrial charges (which include wages, charges for water and electricity, rent for factory buildings and houses, land rent and warehouse storage charges.) This form is mainly operated by the rural collective enterprises run by the communes and the production brigades. Although the amount of income in processing charges is not big, this form plays a certain role in providing employment, increasing the income of the communes, the production brigades and the production teams and improving the lives of the commune members. The other is the integration of processing with materials supplied through compensation trade. The foreign investors supply us not only with raw materials but also with equipment which is sold to us after appraising the prices and on our side we shall pay them back by installments with processing charges.

2) Compensation trade. This form involves the signing of contracts with foreign businessmen who loan the use of their machinery, equipment and technology. The prices for the machinery and equipment are fixed at the Hong Kong market price (or the international market price). On our part, payment for the machinery and equipment will be made by installments with the money paid for the products purchased. When the debt is cleared, the machinery and equipment are turned over to the Chinese side. The aquatic products catching and breeding of Shenzhen has taken the form of compensation trade. To make investment in opening factories, it is general practice to import relatively advanced equipment and technology. For example, the Shenzhen Printing House in which Hong Kong businessmen made an investment has printing machines made in West Germany which are of world advanced standard with the capacity of printing seven colors at one stroke.

3) Enterprises under joint management. This form is developing fairly rapidly. The contracts signed by the Chinese side and the foreign investors stipulate the rights and obligations of both parties. The foreign participants provide the enterprises with funds and equipment, and the Chinese participants, with land and labor power. The enterprises are put under joint management (or run and managed by the Chinese participants) and the profits will be shared in proportion. Repayment of the principal and interest to the foreign participants will be made by the Chinese side in the form of products and a fixed proportion of sales. According to the stipulations of the contract, on the expiration of the cooperation, the enterprises will be turned over to the Chinese side. Most of the enterprises under joint management involve housing and hotel construction.

4) Joint venture enterprises. This form involves the fact that foreign investors make an investment in running an enterprise with Chinese participants by becoming a shareholder. They undertake the costs of construction and equipment of the enterprise to be run while the Chinese party, with land, factory buildings and offices which are evaluated in terms of money as capital stock of the enterprise. The enterprise is managed jointly by both parties (including management system, managerial methods, commodity pricing and wage levels). Both parties are fully responsible for their own profits and losses, and share risks and profits. The joint venture enterprises are in general big in scale and advanced in technology and equipment as well as management. The foreign participants shall assign personnel to offer instructions in technology and management. The contract period of a joint venture enterprise is long and the profits are fairly enormous, so the foreign investors have relatively great interest in this form of investment.

5) Independent investment by foreign businessmen. Foreign businessmen (or Hong Kong businessmen) wishing to invest in opening factories should apply to the administration of the special economic zones and will be issued licences for registry and use of land after examination and approval. Then a certain area of land will be parcelled out for the foreign investors to set up enterprises operated solely with their investment (at present most of the enterprises which are approved for operation are engaged in the commerce and service trades). The Chinese participants provide them with land (the right to use not the proprietary rights over the land) and labor force, and land rent and taxes will be collected.

In the five above-mentioned forms to introduce foreign capital, the enterprises under joint management constitute the biggest proportion. By the end of 1980, in introducing foreign capital, Shenzhen reached 581 agreements with foreign businessmen worth a total of HK\$1.6 billion. In the 581 projects, the cooperative form occupies 199 projects, constituting the biggest proportion in the investment volume. Right now agreements worth 1.4 billion yuan [as published] have been reached, accounting for 88.4 percent of the total volume of investment and averaging HK\$7.16 million for each project. Next come the enterprises operated solely with foreign investment. There were only six projects in all, constituting 5 percent of the total volume of investment and averaging HK\$13.33 million. At present joint venture enterprises are small in number, occupying 2.4 percent of the total volume of investment. Although the projects of processing with materials supplied were numerous, totalling 366 projects, the proportion of these projects in the total volume of investment was only 2.1 percent. There were four projects in compensation trade, constituting 2.1 percent in the total volume of investment and averaging HK\$8.56 million for each project.

According to the analysis of the five forms to introduce foreign capital, the form of joint management holds a dominant position at present. It is an investment cooperation between two different social systems and two different systems of ownership. There are both the component of socialism and that of private capital in this kind of cooperation or in the enterprises under joint management. This form of joint management is a relatively typical form of state capitalism. There is a certain time limit on the right to use the land we give to the enterprises under joint management, each time limit being 10 or 20 years or even 7 or 8 years. On the expiration of the contracts, the enterprises or houses or hotels are turned over to the Chinese participants. Thus it can be seen that the joint ventures using Chinese and foreign investment, the enterprises under joint management and other forms in the special economic zones are all state capitalism under the leadership of the socialist regime.

Second, the state capitalism of the special zones is the development of the state capitalism expounded by Lenin years ago. Lenin summarized the state capitalism under the dictatorship of the proletariat as "the state capitalism that we can restrict, and determine the scope of its activities. This kind of state capitalism is related to the state." ("Collected Works of Lenin," Vol 33, p 244) Restricted by the historical conditions, the state capitalism advocated by Lenin did not develop properly in the Soviet Union as it should have done. However, his brilliant thesis is of great theoretical and practical significance.

The state capitalism in China's special economic zones and the lease-lend system and lease-let system practiced by the Soviet Union in those years have both identical and distinct aspects. They are identical in the utilization of foreign capital under the supervision and control of the socialist regime with the aim of building socialism. The distinct aspect is that under the lease-lend and lease-let systems practiced in those years in the Soviet Union, part of the state's mines, forests and oilfields were run on lease by the capitalists at home and abroad. The state grasped only part of the products to consolidate the worker-peasant alliance. In China's special zones, no state's factories or mines are leased out or let to any Chinese and foreign capitalists and no products are put under the state's control. We attract foreign capital to run industrial enterprises, open service trades or exploit resources, with the participation of the investment and joint management of the enterprises under the system of ownership by the whole people or those under the collective ownership system. As for the solely-operated enterprises with foreign investment, land rent and taxes are collected. Therefore, compared with the lease-let system practiced in the Soviet Union in those years, the state capitalism of China's special zones is more substantial in content and role.

The joint ventures using Chinese and foreign investment in the special zones belong to the state capitalist economic sector in nature, because there are cooperation and relations between China's socialist economy and the foreign capital within the enterprises. Even the enterprises with independently invested foreign capital in the special zones have a certain degree of state capitalism. Although they are operated by foreign capital, these enterprises carry on their economic activities under the supervision and management of the proletarian regime. They rent our land and hire our labor force and are restricted by China's policies. They have relations in varying degrees with China's socialist state enterprises (or

collectively run enterprises) through various forms. Such enterprises are quite different from the enterprises operated by foreign investment before liberation which relied on the imperialist prerogatives in wantonly dumping goods, plundering raw materials, exploiting China's cheap manpower, and their business management was not subjected to the inspection and supervision of the departments responsible for the work.

Is the state capitalism in the special zones a duplication of the state capitalism introduced during the period of China's socialist transformation? Our answer is no. The state capitalism followed after China's liberation was a policy of utilizing, restricting and transforming the capitalist industry and commerce of the national bourgeoisie, and a policy of advancing the industrial and commercial enterprises of the capitalists through redemption and various forms of state capitalism from the early form in which orders were placed by the state with private enterprises for processing materials or supplying manufactured goods to the advanced form of joint state-private ownership and then to state-run enterprises. The current stress on our policy toward state capitalism in the special zones is to take advantage of foreign capital to serve China's socialist construction. Therefore there is also a difference between the capitalism now prevailing in the special zones and the state capitalism before China's system of ownership was changed.

The utilization of capitalism in the special zones today emerged in a situation in which China's socialist transformation has been completed, the capitalist ownership system has been abolished, and the regime of the people's democratic dictatorship has been consolidated. The introduction of foreign funds and the setting up of joint ventures using Chinese and foreign investment are conducive to the attraction of foreign capital, to the introduction of new foreign technology and equipment and the learning of advanced managerial methods. Certain exploitation of the workers by foreign capital in this respect is allowed. Their legitimate interests are guaranteed through some preferential treatment. This is inevitable. Talking about the lease-let system, Lenin said: "We have made some 'contributions' to capitalism throughout the world, and in some respects we have 'bought out' from them. At the same time we can at once find out definite ways and means for consolidating the position of the Soviet regime and improve our conditions for operation." ("Collected Works of Lenin," Vol 33, p 244) Regarding the state capitalism in the special zones, we are now adopting a series of policies and measures not only to restrict its unlawful activities but also to effectively ensure its lawful interests. If their economic activities endanger the interests of our country and violate China's laws, as in the capitalist countries, and they set up brothels, gambling dens, and engage in speculation and profiteering in the special zones, then they will be banned. Moreover, the scope of their activities is restricted within a certain limit. Is this kind of capitalism not a restricted capitalism? Is it not the capitalism we want to utilize to serve socialism?

Some people regard the special economic zones as the reappearance of concessions. This argument is utterly groundless. The concessions in old China were the products of aggression by the imperialist big powers who pursued gunboat diplomacy and took advantage of unequal treaties. Concessions were independent kingdoms of foreigners on Chinese soil. The foreigners held the ruling power and they could do as they pleased. China's sovereignty did not exist in the concessions. The Chinese in

the concessions were subjected to the rule of the bureau under the Ministry of Works which was in the hands of the foreigners. The concessions became places for maneuvers of gambling, brothels, kidnapping, narcotics trafficking, smuggling, speculation and profiteering and human traffic and become an earthly paradise for adventurers to get rich quick. These kinds of concessions today have become historic spots. Today's special zones and the concessions in old China are different as black and white. Our sovereignty in the special zones is not affected and the foreigners residing in the special zones are subject to the laws of the special zones. Under these circumstances, how can we lump together the present special zones and the concessions in old China?

III

How to run well the socialist special economic zones is a problem at present that needs exploration. In my opinion, attention should be paid to the following points:

- 1) First of all it is necessary to create good conditions in a planned way and do a proper job of the basic infrastructure. Shenzhen and Zhuhai have completed part of the basic construction, and Shekou has even gone a step further in this respect. Lack of deepwater ports has become a flaw in the favorable geographical conditions of the special zones. This can be nothing but a defect of the export processing zone. There is a lack of funds in the expansion of Shekou port and the construction of Paotashan port of Zhuhai. It is necessary to solve this problem by seeking the utilization of foreign capital.
- 2) A clear dividing line between the special zones and nonspecial zones and a strict segregation of the former from the latter should be made, and the thoroughfare management should be strengthened. A line of demarcation has been made between the special zones and the interior. This is an important measure for forming the special zones and intensifying the management of the special zones. If we abolish the line of demarcation between the special zones and the interior (nonspecial zones) and merge the former with the latter, then why should we take the trouble to set up the special zones? Of course, the relations between the development of the special zones and the interior should not be cut off. The development of the special zones will get nowhere without the support of the interior. The method of finding out a single solution for diverse problems is extremely detrimental to the development of the special zones. It is necessary to establish relations to a certain extent with the interior in a planned way, and conclude agreements with other provinces and localities so as to obtain supply of nonstable foodstuffs and other materials from the interior. The export departments of foreign trade should also support the supply of the special zones as much as possible.
- 3) The special zones can make use of the joint ventures using Chinese and foreign investment and enterprises using independent foreign investment as schools for training cadres. They should train a technological force capable of mastering modern equipment and a number of backbone personnel in enterprise management in a planned way. If we have sufficient technological and managerial forces, we are sure to improve the competitiveness of the special zones on the international market. Second, after the turning out of this technological force, we are already in a position to gradually replace the foreign personnel in the enterprises and to support the other localities and make contributions to the four modernization drive.

4) The special zones should have socialist culture and education. Owing to the segregation of the special zones from the interior and the people in the special zones coming into contact with the capitalist culture from Hong Kong and Macau more frequently, this calls for the enhancement of the work of education. We must place emphasis not only on the economic construction of the special zones but also on the cultural construction of the zones. We must set up our own radio station and run our own newspapers and magazines, establish a complete set of educational establishments (from kindergartens to middle schools and vocational schools), and set up places for cultural recreation. Apart from being capable of going all out to develop the economy, the cadres in the special zones must have modern scientific know-how and acquire the skills to manage enterprises. They must manage to struggle against the corrosive influence of bourgeois ideas. If the cadres are not immunized from disease, they are apt to find themselves in the mire. Therefore it is an important task to do a good job in the fields of politics, culture and education of the special zones.

5) Apart from carrying on the construction of the basic infrastructure, it is necessary to do well the sanitation of the special zones. Now that the Shenzhen railway station is an international commercial bridge, a passage for the intercourse between the compatriots in the mainland and those from Hong Kong and Macau, we must take doing a good job of environmental sanitation as an important task.

The special economic zones are in their initial state. The policies and measures have not yet been implemented fully, the organizations have not been strengthened, the enactment of laws has not been perfected, and there is a lack of managerial experience. Therefore we should constantly sum up experience in practice and make them perfect step by step.

April, 1981

CSO: 4006/501

FOREIGN TRADE

BRIEFS

EXHIBITION CENTER--Guangzhou, 11 Sep (XINHUA)--An exhibition center of foreign commodity samples opened this week at the former site of the Guangzhou Export Commodities Fair. More than 6,000 samples, including home electrical appliances, wrist-watches, textiles, pottery, arts and crafts, hardware, foodstuffs and animal by-products from 32 countries and regions are on display. The long-term exhibition center, operated by the Guangdong Provincial Foreign Trade Bureau, provides special counters and spaces for foreign firms and firms in Hong Kong and Macao. The services also include canvassing customers at home and abroad, offering advice on imports and exports, buying commodities samples and sponsoring meetings to exchange Chinese and foreign technology. [Text] [Beijing XINHUA in English 0743 GMT 11 Sep 81 OW]

CSO: 4020/253

LABOR AND WAGES

EXPERIMENTS IN PIECEWORK WAGES AS MATERIAL INCENTIVE

Nanjing XINHUA RIBAO in Chinese 22 Jul 81 p 1

[Article by correspondents Yang Hanliang [2799 3352 5328] and Wang Yuzhang [3078 1342 1728]: "System of Piecework Wages as Reward for Above-Quota Production Tried Out by Plants in Changzhou"]

[Text] The economic committee, labor bureau, and finance bureau of Changzhou recently summed up the experiences in the experiment of a piecework wage system as a reward for above-quota production among a number of plants. This system was highly regarded as a form of economic responsibility system for industrial enterprises, and should be promoted among the units under suitable conditions.

The experiment began in the last quarter of 1980. At that time, 20 industrial enterprises were designated for the experiment, with nearly 10,000 workers and staff members trying out this wage system. To qualify for the experiment, these enterprises should be able to produce regularly, always have sufficient tasks on hand, turn out readily marketable goods of reliable quality under good management, and be given rational quotas. During the experiment, the system of piecework wages can be adopted by the enterprises as separate units or by their workshops, workteams, or work groups as small collectives when quotas have been fulfilled. It can also be adopted among the workers as individuals directly paid for piecework. Either of these forms can be chosen according to the enterprises' own operating conditions. There will be basic wages for fulfilling quotas, above-quota wages for above-quota production, and deduction of basic wages for failure to fulfill quotas. Quotas and unit prices should remain unchanged for a certain period, and there should be no limit to the earnings of the individual workers and staff members. Should there be any deterioration of quality, excessive consumption of raw materials or energy, or increase in production costs, the experiment will be suspended.

Experience over more than 6 months have shown many advantages for this system. First, the practice of "eating out of the same pot" has been changed, because this system embodies the principle of paying each according to his work. In the past, doing more work or less work made no difference in the awarding of bonuses. After the introduction of the system, there will be more pay for more work, less pay for less work, and different pay for different qualities of work. Last April, each person at the three production workshops and one spare-parts workshop of the Changzhou No 1 Radio Plant received an average of 8.89 yuan for above-quota wages. Among them, 103, or 29 percent, received from 10 to 20 yuan, while 24 of them or 6.7 percent, received from 20 to 30 yuan. The largest amount received was 36.41 yuan. Four persons had their wages deducted because of failure to fulfill the quota or irregular attendance. The total amount deducted from their basic wages was 14.16 yuan.

The practice of this wage system has linked individual income with production quotas and has further aroused the enthusiasm of the workers and staff members. Before the experimentation with this wage system, the spinning workshop of the Changzhou No 2 State Cotton Mill was understaffed and its production efficiency was low. After the introduction of this system, however, output increased, even though the number of personnel was reduced from 156 to 117. Formerly, 49 persons worked on the packing of finished products at the Dongfanghong Dyeing Plant in Changzhou. After the introduction of the piecework wage system, the number of workers was reduced by 10, but the task was completed as usual.

The new wage system experiment has also promoted the reform of enterprise management, because these units have generally improved their firsthand statistics and strengthened their overall quality control and overall economic accounting. After adopting this system, the Changzhou No 1 Garment Factory improved its quality-control apparatus, revised its plans for upgrading quality, and solved a number of key problems affecting the quality of its products. While increasing its output by a wide margin, it has also effectively raised the quality of its products and won prizes for its Lanling-brand men's shorts produced for the domestic market—first prize in the annual provincial evaluation and second prize in the annual national evaluation of garments. None of its export products has ever been rejected or returned.

The experimental units have also increased their comprehensive economic benefits. After practicing the piecework wage system, total industrial value for the first 5 months of this year exceeded that of the same period last year by 44.5 percent. Output of their four main products increased by 17.9-128 percent, production cost were 4-18 percent lower, and profits increased by 248,900 yuan. All economic indexes reached their highest levels in history, and the above-quota wages for the workers increased markedly.

9411

CSO: 4006/468

LABOR AND WAGES

BRIEFS

JOBS FOR BEIJING YOUTHS--Since the beginning of 1981, Beijing municipality has created many new jobs for youths awaiting employment. Although jobs were arranged for more than 500,000 youths in the past 2 years, there is a greater demand for jobs this year. Moreover they are rather promising since leaders at all levels have attached great importance to it and various potentials have been exploited. The types of jobs which have been created include: 1) independent commercial and service trades to facilitate life in the local units; 2) domestic handicrafts work to overcome the problem of there being not enough space in plants to accommodate all workers and to provide more jobs for youths awaiting employment; and 3) commercial and service trades set up in places where people need them. [HK090939 Beijing City Service in Mandarin 2300 GMT 24 Aug 81]

HENAN YOUTH EMPLOYMENT WORK--Henan has vigorously developed collective enterprises. Over the past 4 years, they have provided jobs for more than 760,000 people awaiting employment in the urban areas, which amounted to 87 percent of the total number of people for whom jobs should be provided. For instance, in the first 7 months of this year, jobs were provided for more than 160,000 people. [HK161236 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 7 Sep 81]

ANHUI PRODUCTION SAFETY MEETING--The Anhui Provincial People's Government held a provincial conference on production safety in Hefei 1-5 September. The meeting called on industrial and transport departments throughout the province to take effective measures to protect the safety and health of workers and prevent accidents that can cause death or injuries. (Hu Xiaofeng), vice chairman of the provincial economic commission, relayed the guidelines of the national safety work conference. Vice governors Meng Jiaqin and Huang Yu made a work report and a concluding report respectively. [OW141516 Hefei Anhui Provincial Service in Mandarin 1100 GMT 11 Sep 81]

JILIN INCOME RECORDS--According to statistics compiled by the Agriculture Ministry in 1980, of the 343 prosperous counties in the country, which had surpassed 150 yuan of per capita income, six municipalities and counties across Jilin Province met standards. They are Jian, Wangqing, Changbai counties and Siping, Tumen and Yanji municipalities. The per capita income of Jian County was 153 yuan; Wangqing County, 160 yuan; Changbai County, 162 yuan; Siping Municipality, 181 yuan; Tumen Municipality, 204 yuan; and Yanji Municipality, 220 yuan. [SK140502 Changchun Jilin Provincial Service in Mandarin 2200 GMT 13 Sep 81]

CSO: 4006/504

TRANSPORTATION

BRIEFS

JIANGSU OCEAN SHIPPING--Jiangsu Province has rapidly developed ocean shipping. Since the establishment of the Jiangsu branch of the China Ocean Shipping Company in February last year, four oceangoing freighters totaling 21,900 dun have joined the service and shipped more than 170,000 dun of cargo, earning for the state \$2.6 million in foreign exchange. Now most of the export goods from the Chang Jiang are shipped by these freighters to Hong Kong and Japan. This has lessened the burdens on the ports of Shanghai and Lianyungang. [OW180529 Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 15 Sep 81]

CSO: 4006/504

GENERAL

UN CONFERENCE ADOPTS LDC ECONOMIC PROGRAM

OW151851 Beijing XINHUA in English 1830 GMT 15 Sep 81

[Text] Paris, 14 September (XINHUA)--A programme of action to support the 31 least developed countries in the world to achieve rapid economic development was approved at the end of the United Nations conference on the least developed countries here yesterday.

Entitled "Substantial New Programme of Action for the 1980's for the Least Developed Countries," it declares that the objective of the programme is "to transform their economies toward self-sustained development and enable them to provide at least internationally accepted minimum standards of nutrition, health, housing and education as well as job opportunities to all their citizens, and particularly to the rural and urban poor."

The programme reaffirms that "urgent actions should be taken by all the members of the international community to end without delay colonialism, imperialism, neo-colonialism, interference in internal affairs, apartheid, racial discrimination, hegemony, expansionism and all forms of foreign aggression and occupation, which constitute major obstacles to the economic emancipation and development of the developing countries."

The programme says that during the 1980's every effort must be made to implement programmes and projects which will enable each least developed country to increase its national income substantially, doubling it by 1990 as compared to the level reached in the late 1970's, which would require an annual growth rate of 7.2 percent.

It also says that in the agricultural sector, least developed countries must aim to move towards and if possible surpass the 4 percent annual target so that food production in each country increases faster than population growth. Concerning manufacturing, the least developed countries should aim to increase their rate of manufacturing growth to an over-all annual growth of 9 percent or more.

The programme notes that the least developed countries should give top priority to agricultural production. In the meantime, forestry, fisheries and livestock breeding should also be developed, and high priority should be given to comprehensive and integrated rural development.

Regarding the human resource, the programme says that efforts should be made in the least developed countries during the 1980's for reducing the absolute numbers of illiterates and out-of-school children. These countries should aim at making primary education free and compulsory by 1990 at the latest. Vocational training must also be developed so as to respond to the requirements of the economy. It also calls for taking appropriate measures for family planning and population control.

On international aid for the least developed countries, the programme says that to achieve the objectives of the programme of action, the international community, particularly the developed countries, must increase their financial and technological aid and grant preferential treatment in trade for the least developed countries.

The programme says that the preferential aid for the least developed countries to be provided by the international community, particularly the developed countries should by 1990 reach 24 billion U.S. dollars (at 1980 price) or four times the level in late 1970's.

The programme emphasizes the necessity of a substantial increase in Official Development Assistance (ODA). "Most donors of ODA will devote in the coming years 0.15 percent of their GNP to the least developed countries. Others will double their ODA to the least developed countries in the same period."

The programme says that the donor countries and institutions should "provide, as a general rule, assistance to the least developed countries as grants, provide loans mutually agreed upon on highly concessional terms."

In order to aid the establishment of food security in the least developed countries, the programme demands the conclusion of a new international wheat agreement and the actual establishment of a 500,000 tonnes international emergency food reserve.

To ensure full implementation of the programme, the programme points out that a mid-term global review of progress towards the implementation of the programme should be undertaken in 1985. It will also readjust as appropriate the programme of action for the second half of the decade.

CSO: 4020/253

GENERAL

BRIEFS

ZHEJIANG ANTISMUGGLING PATROLS--In the past 6 months and more, the 1st maritime anti-smuggling detachment of Wenzhou Prefecture has caught 24 smuggling vessels and confiscated smuggled goods worth more than 4.7 million yuan. Some smuggling trades were conducted between motor junks from Zhejiang coastal areas and steamships from Taiwan. The smuggled goods included watches and piece goods. [OW180943 Hangzhou ZHEJIANG RIBAO in Chinese 7 Sep 81 p 1]

HEILONGJIANG SMUGGLING CASE--The Harbin customs office, Heilongjiang Province, recently cracked a smuggling case, confiscating smuggled goods worth 150,000 yuan and imposing a 30,000 yuan fine on a native of Guangdong Province. The Harbin radio equipment supply station, which illegally sold smuggled goods, was fined 9,000 yuan. [SK150959 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 14 Sep 81]

CSO: 4006/504

BRIEFS

TAIWAN'S ECONOMIC GROWTH--The economic growth rate of the Republic of China stood at 5.32 percent during the first half of this year. It is expected to reach 5.78 percent in the third quarter, according to statistics the Directorate General of Budget, Accounting and Statistics [DGBAS] released Wednesday. The DGBAS said that the third quarter estimate was made before the flood disaster on 2 September. However, the flood disaster will make only small impact on economic growth here. The Executive Yuan's Council for Economic Planning and Development (CEPD) held a meeting Wednesday, hearing DGBAS reports on the economic growth for the first half and the third quarter of this year. The DGBAS said that economic growth was 5.01 percent in the first quarter, and rebounded to 5.63 percent in the second quarter. Because the U.S. dollar has a trend of moving upward, the Central Bank of China then readjusted the foreign exchange rates in mid-August, thus reviving export sales and agricultural and industrial production. As a result, third quarter growth is expected to move upward to 5.78 percent. [Text] [OW180148 Taipei CHINA POST in English 11 Sep 81 p 10]

CSO: 4020/252

END

END OF

FICHE

DATE FILMED

10ct 1981